



November 17, 2022

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

Dear Sir/Madam,

Further to our letter dated November 02, 2022 intimating the schedule of the conference call held on Thursday, November 10, 2022 please find attached transcript of the aforesaid conference call, held *inter alia* to discuss financial results for the second quarter and half year ended September 30, 2022, 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: a.a.



“Eicher Motors Limited
Q2 FY23 Earnings Conference Call”

November 10, 2022



MANAGEMENT: **MR. B GOVINDARAJAN – CHIEF EXECUTIVE OFFICER ROYAL ENFIELD LIMITED**
MR. VINOD AGGARWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER VE COMMERCIAL VEHICLES LIMITED



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Divya Purohit:

Good evening, ladies, and gentlemen. I would welcome you to Eicher Motors Results Call. I would now like to hand over the call to my colleague, Basudeb to make the introduction of the management. Basudeb, over to you.

Basudeb Banerjee:

Thanks Divya. Thanks to Eicher Motors management for giving us the opportunity to host the conference call. We have with us Mr. B. Govindarajan, CEO, Royal Enfield; and Mr. V.K. Aggarwal, CEO of VECV, representing the management. Today, Mr. Govindarajan will take us through Eicher Royal Enfield related discussion. Over to you, sir, for your initial comments.

B. Govindarajan:

Thank you, Basudeb. Hi, everyone, and welcome to Eicher Motors Limited Call for the Second Quarter Financial Year 22-23. I hope all of you are doing very well. I'm glad I've had the chance to meet some of you in the investor call very recently, which we had at Chennai. With regard to the performance of this quarter, I'm very happy to announce that we have had an exceptional quarter as we have reported our highest ever Revenue from Operations and highest ever Profit after Tax. We are continuing to achieve our milestones both at Royal Enfield and at VE Commercial Vehicles.

At Royal Enfield, we started this quarter with the spectacular launch of the all-new Hunter 350 on our well-refined J-Series engine platform. We did it at Bangkok with all the global media. It had a huge reception. And recently, two days back, we also launched our Super Meteor 650 on the Twin platform at EICMA 2022 in Italy. I'll talk you through about these in detail over the period of time. The festive season in India brought in a very strong sales for Royal Enfield. We are riding strong and have recorded more than a 30% market share in H1 in the >125cc segment.

In line with our broader vision for sustainability, we announced a unique and interesting partnership with UNESCO in August, where we will collaborate with them to promote and safeguard the intangible cultural assets of India, starting only with the Himalayas first. Our ambition is to partner with at least 100 Himalayan communities to adopt sustainable living practices by 2030. We're very proud of this partnership at the overall Eicher Motors level. At VE Commercial Vehicles, we continue to focus on strengthening our market share in the heavy-duty trucks and buses segment. Mr. Vinod Aggarwal will talk us through about that at a later point of time.

Overall, at the Eicher Motors level, we continue to maintain a razor-sharp focus on our future strategic growth plans, along with the robust ESG vision. I am elated to share that we have improved our position in the Dow Jones Sustainability Index and, second year consecutively, we are one among only ten global automotive companies to feature in the Emerging Markets category. To conclude, at an Eicher Motors level, we are very confident that we are on an accelerated growth path. Moving on to the financials. Our revenue is about ₹3,519 crores for Q2, which is our highest ever quarterly mark, up by about 56.4% from ₹2,250 crores last year. Our EBITDA is about ₹822crores, up by 75% YoY, against ₹470 crores last year.

This one is marginally below our highest ever mark reported in Q1 of this financial year. PAT stood at about ₹657 crores, which is the highest ever for EML, up by about 76% on YoY basis as against about ₹373 crores reported last year. Now, I'll talk you through the highlights in the Royal Enfield. Royal Enfield has had an exceptional quarter in Q2, and we have accelerated our growth momentum. That's what we briefed you when we were there in the Investor Meet also. The first of that particular product, which has propelled our growth is the Hunter 350 launch.



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The consumer response as well as from the media has been outstandingly well, looking at the inquiries, they are going up, bookings are going up. That's a very good sign. We wanted that - this has to give an additional volume to us overall, and it has exactly landed in the positioning which we wanted for the product, which gives us an additional volume for those consumers who were looking for a Royal Enfield motorcycles in a different format and Hunter 350 answered it bang on at those areas. We have rolled more than 55,000 Hunter motorcycles already since the launch, which we did in August.

Our order books are very good and healthy. It's growing. In Hunter, we wanted it to get new consumers from new geographies, and that's what is the initial thought, and it should not cannibalize something in our product, and we are seeing that positive vision, that it is not cannibalizing and it is getting us new consumers. First-time buyers, the guys who are really enjoying the motorcycles, who are looking for a Royal Enfield apt motorcycle has got addressed through this Hunter 350.

We are just opened in India till now. In the month of November, we are opening in APAC. Subsequently, it will be to EMEA and to RENA and upon all other areas in the markets. The Hunter is also ramping up now. So, to that extent, we will start opening up the market. But as I mentioned, it is a J-Series, which overall is Euro 5 compliant.

It is a global product, that's how it is envisaged and that's how it is landed. So anywhere it can go, doesn't need to wait for some more allocations and all those things, those things are done and dusted and it's ready, so the vehicle can be exported as of now. On November 8, or two days back, we unveiled all new Super Meteor 650 at EICMA 2022 in Italy. We have seen very exciting initial feedback from the media and from the community who has been seeing this and now everybody is now looking at and asking a lot of details on this. The Super Meteor 650 is an authentic retro thoroughbred cruiser and on a successful 650cc platform. And we have a lot of learning and legacies of the Cruiser making, in 1950s, we were making Cruiser and exporting to the United States.

The Meteor has actually taught us a lot more in cruising, doing what it has to, and what the consumer wants. Super Meteor 650 which has been there in the thinking and making for the past three years plus when we launched it, and exactly the Meteor came back and then said, that's the very accessible, simple, easy to handle Royal Enfield looking Retro style cruiser.

We're looking forward for a great success even in that particular product. For the quarter, we sold about 2,03,451 motorcycles, which marks about 65% growth from 1,23,515 last year, sequentially, 9% growth over the previous quarter. Domestic volume, we sold almost about 1,83,067 units during the quarter in India, reporting an increase of 73% YoY and a growth of about 16% sequentially. The festive retail feedback from the field has been very strong, and we recorded our second largest festive retail during the Sep-Oct window.

Our international market, we continue to progress on our vision of becoming a global motorcycle brand from India. On a YoY increase of more than about 14% at 20,384 units against 17,900 units in the previous year. International retail performance for H1 has been very robust. We have got this solid growth of almost about 40% to 55% across various regions.

RE is now the leading mid-weight brand in the U.K. and among the Top 3 in Europe, a proud moment for all of us as we were reaching that market share position. Our market share has climbed up to ~7% in Americas as of now and 9% in APAC and about almost 10% touching in EMEA region, backed by robust pipeline of new products, which we are launching. This all



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is without Hunter, which was there because Hunter will open up the entry level even in an international market.

As far as the retail network expansion is concerned, we have been steadily moving ahead in our domestic network expansions. We have a network of almost 2,130 retail outlets, 1,083 dealership outlet format and about 1,047 studio formats. On international market, we continued expansion with an addition of another six stores, exclusive stores in Philippines, Mongolia, Vietnam, and Thailand where we are slowly opening up one by one in all the markets.

As we have been seeing as a brand, we always wanted to be a full brand to go there, open one showroom, make the product experience and people start feeling the product, and that's how the experience we'll start building the brand, then we will go in for an expansion. And that's the phase we are entering. So, the expansion phase, which is taking place.

As of now, totally, we have almost 710 multi-brand outlets and about 175 exclusive stores outside India. And that expansion plan is continuing with the new products which are coming up, the expansion also will go on in that sequence. As far as the motorcycle and ride events, we did the 11th edition of 'One Ride' where Royal Enfield enthusiasts across the world gathered to ride that One Ride on a particular day.

And we also kick started the Royal Enfield's Continental GT Cup we did last year and this year also it's been received very well by the young guys. There's a lot of traction, which we are seeing for this sort of racing, as is not a true racing motorcycles, but a fun type of retro racing, it's a sport and that's getting a traction in the GT Cup through that.

Before I conclude, I would like to share another achievement from Royal Enfield is, in the Dealer Satisfaction Survey, which was conducted by FADA, Royal Enfield emerge as a second runner up, which compared to last year it was a great change, which is there. The dealers also started looking that the growth is coming back, and things are better, our connect is becoming better. And overall, this quarter had been an outstanding one and at the H1 level, it's been a record growth for Eicher Motors and at Royal Enfield also. Now I'll hand it over to Mr. Vinod Aggarwal walk us through the VECV financials and updates. Over to you, Vinod.

Vinod Aggarwal:

Thank you, Govind, and good evening to all of you. Let me first start with giving you an update on the commercial vehicle industry. If you look at the CV industry, as you all know, after three years of recession, the CV industry is on the growth path, and it's continuing to grow every month. And first six months have been very good for the industry, where the industry for >3.5 ton has grown by 68%. And even in the month of October, the growth has been 15%. So based on this growth, of course, it is expected that this year, we will make good progress for the overall industry.

Even though we may not still touch the earlier peak of 2018-19. But in some of the segments, it might be a new peak, like for example, in 5-15ton trucks, it is likely to be new peak even though in heavy-duty and in buses, still it will be away from the earlier peak. But of course, we have also seen in the past, whenever the recovery happens after the recession, it always leads to a new peak in two to three years.

So therefore, this time also, I'm of a firm belief that we are likely to see a new peak in the coming two-three years. Of course, there are headwinds, which are there, which are coming from inflation, global situation as well as interest rates. But at the same time, I think the outlook for the Indian economy, for the current year, as you all know, it is 7%. And future also is relatively much better than the global markets, because of our own situation in the Indian



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markets because of our dependence on the domestic consumption, even though there may be impact on exports.

And we also experienced a similar impact in our export markets like the truck export markets, we are having headwinds because of the global situation, especially the foreign exchange situation in some of these South Asian markets like Bangladesh, Nepal and Sri Lanka.

And as a result of that, the markets there are down because there are a lot of import restrictions in those countries. Nevertheless, as I mentioned, the growth for the industry is good. And even in the month of October, we have seen the industry growth of 15% as compared to October last year. And as you all know, last year, second half itself was a much better year and with a good base. And with the higher base also, we have seen the growth of 15% in the month of October.

Now in line with the industry growth, we continue to also grow in VECV. And specifically, I think the highlight has been our good growth in the Heavy-Duty Truck segment where our market share in the first six months, both Eicher and Volvo put together, Eicher and Volvo trucks, it's now 8%+. We are at around 8.2%. And for Eicher brand itself, it is around 7.5%. As you all know, this has been our -- one of the biggest objectives that we should grow in the Heavy-Duty Truck market because Heavy-Duty Truck market is very large.

And if we start growing in that, then of course, the potential for VECV in Heavy-Duty Trucks is going to be much stronger in the coming years. And then we are also growing very well in buses. Buses, our market share in the six months, we now reached between 24% to 25%. So that is, again a very good growth as compared to the previous years. In the Light and Medium Duty Truck segment, we continue to maintain our strong position of 28% to 30% market share.

And our strategy is to sustain that strong position while slowly and steadily growing in the Heavy-Duty Trucks as well as the Bus segments. Now coming to our financials. Our revenue for Q2 this year, including the other income, it is ₹4,215 crores as against ₹3,152 crores last year, a 34% growth in the total income. And first six months, it is ₹8,148 crores as against ₹4,792 crores in last year first six months with a growth of 70% in the top line, in the first six months.

As far as EBITDA is concerned, Q2, our EBITDA is ₹249 crores, which is 6% at net sales and as against ₹170 crores, which is 5.6% of net sales in the previous year, Q2. And H1, our EBITDA is ₹467 crores, and 5.9% to net sales as against ₹188 crores, at 4.1% as on the net sales for H1, last year. Our Profit after Tax this quarter has been ₹81 crores at 2% as against ₹17 crores at 0.6% last year and H1 our PAT is 1.8% as against loss in the first half of last year at 1.3%.

So therefore, in spite of very strong competitive pressures, as you can see, we have continued to show good performance in financials and with a good potential to grow. And relatively, we are doing better as compared to the competition as far as the margins are concerned. And then, of course, last quarter, another highlight has been introduction of our electric buses.

We have just executed 40 electric buses order for Chandigarh city which are running very successfully there. We also launched new models both in the Volvo bus and Eicher bus, sleeper coaches which are again state-of-the-art buses, and we also introduced drive trucks for the export markets and also new bus models in the export markets in the Middle East.



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And another good recognition for VECV has been the second year in a row, we ranked #1 in Dealer Satisfaction in the survey conducted by Federation of Automotive Dealers Associations, FADA and we continue to be number one this year as well as we were number one last year as well in this survey, which puts us in a good advantageous position to create good customer satisfaction. All in all, I think we are in a good position, and we are doing very well as far as the volumes are concerned, and we should grow with the market. And of course, the financials also should grow in line with that.

So, with that, now I think I hand over back to Govindarajan for any last remarks.

B. Govindarajan:

Thank you, sir. Just one point is, Mr. Siddhartha's is slightly under the weather and he's not able to attend this call. So that's why me and Vinod are actually handling it, I'm just reading it on behalf of him. Thanks for joining, I think it's been a good quarter and H1 for VECV and Royal Enfield, and overall for Eicher Motors Limited. Thanks for joining this call. I think we can move to the question and answers. Back to you.

Basudeb Banerjee:

Thanks, Mr. Govindarajan and Mr. Aggarwal. Participants we can now start with the Q&A session. Requesting you to raise your hands or write your question in the chat box. We can start with the first question from Gunjan Prithyani. We will request you to unmute and ask your question.

Gunjan Prithyani:

Sure, thanks for taking my question. Sir, in your introduction comments, you mentioned that the Hunter 350 has seen a different set of customers. Could you share a little bit of colour on how the addressable market has changed either in terms of the age profile or the geography, a little bit more colour around that? And what sort of order backlog, wait periods are going on there? And is there a thought process to ramp up the capacity on the Hunter 350 platform? That will be the first question.

B. Govindarajan:

As far as Hunter 350 is concerned, the first-time buyers, who used to be normally about 15% that range, it has jumped to almost about 18.1% to 18.2% in this year post the Hunter launch. In terms of first-time buyers, if I have to talk about the existing Royal Enfield consumers to Hunter is 26%, first-time buyers going up and upgrades are also coming up into this. What is Hunter doing and what is the confidence which we are having, I think during the launch also we were explaining -- this is a product for those consumers who love the brand Royal Enfield and wanted to associate with the brand Royal Enfield but wanted a motorcycle, which is a bit more accessible, slightly lower in weight compared to the motorcycles which we are having in like Classic 350 and Bullet 650, and it has all the rider handling ability for tight situations in a traffic level.

And that's where we were looking at, and it should get new consumers and not cannibalizing with the existing thing. Happy to share with all of you, the cannibalization is almost nil. Marginally, it will be there because of the price point, some people can take a decision here and there, but it hasn't been any materially different in terms of the cannibalization.

In terms of age group, the Hunter in this new format, it is the 18-25 age group, it's almost touching 40% and about 26-30 age group, is another 43%. It is more the younger audience who are coming into that. So, what we wanted over the Hunter, it is exactly got positioned in that particular form. It's adding volume, and it is adding the new consumer set into Royal Enfield and that's where we were looking for, which has answered to us.

Gunjan Prithyani:

Anything on the geography, wait period, order backlog, production related thought process, if you can share on that?



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B. Govindarajan:

Yes, Hunter, it's a product now, it is available PAN India. And in terms of numbers, we have rolled 50,000 motorcycles we produced -- so to that extent, you can see that it is continuously in a waiting period as of now. Not because of anything else, we anticipated both Retro Hunter and Metro Hunter, and that's what we launched. Retro Hunter at about ₹1.49 lakh and Metro Hunter at ₹1.6-1.69 lakh. And at that price point, when we launched, we were assuming the Retro model ~1.49 lakh, people will also look at it. It's good for us as a company and the consumer was enjoying. Now for the Retro Hunter, the percentage is very low.

The Metro Hunter is the highest. It's actually an upgrade, which is actually happening, which is a very good sign, that's what we were wanting to do. So, what has happened is the exclusive part for Metro at an assumed level, we wanted to increase it so that the higher percentage of Metro can be given to the consumer. We kickstarted looking at the initial responses and from November onwards, the existing numbers and Hunter per day also will be slightly going up. But it is very good in terms of booking, and it is constantly increasing the numbers for us.

Gunjan Prithyani:

Okay. The second question is on the export side. Now everybody has been calling out a lot of volatility in export markets given where the macro is, is there any slowdown that you all have seen? And how should we think about the export scale up over the next 12-18 months? Do we see any headwinds on that part of the business?

B. Govindarajan:

Exports, as far as Royal Enfield is concerned, I will tell you because even in the Q2, the retail has been very good for us. We have been gaining market share. In fact, some countries where inflation is very high to be honest, as the energy cost is so high in Europe and all. Even in those markets, we gained the market share and we have almost booked 10% market share in the middle-weight category in those countries. Americas, both in North America and Latin America, our retail has been outstandingly good. Will there be a pressure point, that nobody can escape from the kind of an inflation and all those things.

But what is promising to see, that's what we are at EICMA 2022, and we are meeting all the European people who are here, and we are launching our Meteor 650 at that point of time we were discussing, the mobility and the demand has not gone off. To that extent, everybody is looking at what are the new products which are coming up and when we will actually be bringing out to the motorcycles. And somehow, we feel our motorcycles which are accepted very well and continue, maybe one month because of the cold non-rainy season the retail will be lower but we are building up for the season in coming years. So, to that extent, we will start continuing the production because that's what our entire dealer network is also asking for more quantities.

Gunjan Prithyani:

All right, thank you so much.

Basudeb Banerjee:

Thanks. Next, we have a question from Pramod Kumar.

Pramod Kumar:

Yes, thanks a lot. Hi, Govind and Vinod sir. Congratulations Govind on the Super Meteor 650. That looks pretty good. My first question is on the kind of discussion we had during the Investor Day as well, that incrementally, you would like to focus on the absolute growth and the ROCE rather than kind of focus too much on the percentage margins on the EBITDA front. This quarter, we have seen a bit of a step down on the margin and also on the ASP because of Hunter 350, right?

How should the investor communities look at the margin profile of the organization, as you see Hunter 350 ramping up going forward and then getting into international markets as well, because on the domestic front itself Hunter is doing very well, and I'm pretty sure international markets also will be a big success. So how should we look at this in the context



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of ASP and EBITDA per vehicle compared to the portfolio that we had so far, which was much premium. If you can just help us understand that will be great.

B. Govindarajan:

Yes, Pramod. Hunter, as a product when we wanted to launch it, had an addressable market at a price point which is also very accessible as a motorcycle, as we said. That's why we are growth focused now. There has to be a rebalance, and that's the strategy which we looked at, there should be a rebalance between the profit and the profitability. When we launched Hunter 350, there were some headwinds also when we were launching that point of time, which is not baked in.

One is the commodity, at a point when we were launching in the current level, immediately there's a lot of softening, which is taking place. When we launch a new product, I always say that first three months, let's have a pipeline of VAV activities which are required, because it has to reach the consumer and the value proposition, which we wanted to give it to the consumer. In the first three months, we have to actually look at whether it has landed to them very well.

For us, the opportunity for the profit pool on an overall number, in which Hunter is moving in on. And on the profitability part which also we'll start working on is through the commodity softening, which is helping us as a tailwind. As I mentioned, there is value engineering activity, which we will be doing. Also, our capex is not going to be very high because as I mentioned, it will be immaterial.

For example, in the Metro to Retro, ideally in the platform, the number of componentry which we have changed in all, there's just about ₹1-1.2 crore additional investment here to debottleneck, we can actually move the whole product to a 100% Metro, even that is what the market requires. And that's the good sign, and we assume that our profitability also with the Retro and the Metro at a particular percentage combination. Now the Metro going up more and more, it's also a good sign.

And because there is a demand, we have also increased the price you would have known, in the month of November - ₹3,000, which we have done for Hunter 350. So, the pricing option is there, commodities won't help anyway. So, what we are looking at is the growth, and that's what the Hunter 350 is bringing in. And let's keep going in that side, we will start looking at profitability parallelly, and decide what we have to work on.

Pramod Kumar:

And Govind, could you kind of guide from the current quarter, would you expect the percentage numbers and the EBITDA per vehicle to kind of improve as the benefits of commodity kind of come in, and the price increases also kind of help you? And what would be the sustainable profitability, what you would be quite happy with in terms of?

B. Govindarajan:

Pramod, as an organization, we don't give forward guidance. I can only tell you, as an organization, we wanted our growth focus to come in. For growth focus, we wanted to bring in a particular product, and that's in Hunter 350, which answered our requirement. It started giving us a higher volume and not cannibalizing the existing one which is number one, which is good in a way. Second, there is no commodity pressure now. We were all assuming the super commodity pressure will continue for a longer period of time, which is now not there. In between, we had our semiconductors and all those things, we were buying it from the resellers as the price was higher and the logistics cost was also higher. All those things are behind us now by and large.

The value-engineering, which is possible, is just now kicking in the organization, let's start looking on one by one of these things. Also new product launches will come, now there is



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Super Meteor 650, which is going to come in. Initially, I thought that probably we'll give it only in the first quarter. Now it is coming up slightly ahead. So overall mix, I see a positive trend for this organization overall.

Pramod Kumar:

That's great to hear. And Govind, a follow-up more on the industry terms as well on the ODB norms, what would it be because we are hearing that on the four-wheeler side, the cost implications will be big. How do you see that in terms of a cost for the two wheeler industry, for a category like 350cc and above, what ideally will be the cost inflation, what you will see on account of ODB norms for two-wheelers.

B. Govindarajan:

ODB has two phases, OBD-IIA and OBD-IIB. IIA is only a minor thing. IIB when it comes up, that is a CAT deterioration monitoring, which has to come in as need to watch out close. And IIB when it comes up, that is when probably there may be a bit of a loading in the precious metal, possibly which can happen. Everyone has already started working on it, if that comes, how do we protect it? For example, when we were doing a BSVI, after implementation of BSVI, we started looking at optimization.

Now there is a time which is there for OBD-IIB, very recently, in fact, it is the final notification, it will reach us maybe in a day or so. Now Vinod is the President, so it will come through him. So once that comes in, at least we have time for IIB, it is only 2025. So, all our optimization activity, which we may have to do it, that can be done. That's the time under which we asked for from the government and government has given. And hopefully, that should not put burden on the consumers also because of this.

Pramod Kumar:

And can I take one question with Vinod sir?

Pramod Kumar:

On the CV demand, we have seen somewhat of a moderation at the start of third quarter. And we've got some feedback from fleet owners that they probably may be in a wait and watch mode at least in February before they kind of get a color on the macro situation and the interest rate scenario. Given that, what are you picking up from the market in terms of the demand in the near-term, on the commercial vehicle side, and whether this global uncertainty and higher interest rates has resulted in some bit of a pause or rethink for large fleet owners?

Vinod Aggarwal:

I think we have to look at the overall scenario, because we won't be able to answer based on the MoM figures or month-wise figures. If you look at the overall scenario for Indian economy, I think everyone is having consensus that we are going to have 7% growth in the current year. And sentiments for India, they are relatively much better as compared to the global situation. If you look at our GDP tax collections month-after-month, they are quite handsome, in fact, ₹140,000 crores plus if there are any concerns, they are largely the trade balance concerns. There again, there are a lot of things that the government is doing on the ethanol mixed, 10% has already happened in 20% what he is talking of. So therefore, I think government is trying to address all these concerns with respect to these global situations of the increasing crude oil prices.

At the same time, when the economy grows, there is a requirement for more and more trucks to move the goods and services. And as you know, these periods have been bad years for the industry, and it was at rock bottom in 2021. Therefore, since it is cyclical industry and economy can't do without trucks. And you also need more modern trucks to take care of the demands of more tax heavy customers or customers who focus a lot on the productivity as well as timeliness and the costs. Like I should talk to any customer today, they always dictate that I need delivery in so and so period, and I need at this cost.



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Now if they have to meet these requirements, you can't meet those requirements with the old trucks. Therefore, it is imminent that old fleet of trucks have to be replaced. And since replacements have not happened in past two to three years, these replacements are going to happen, not only because of the pent-up replacement requirement, but also because of the need of more productivity and cost reductions, which can be delivered only by the new technology trucks.

Therefore, I would say that overall, we are going to see good trends in the CV industry in the coming two to three years, because we are in the recovery cycle. And still, we are far away from the earlier peak as far as heavy-duty trucks and the buses are concerned. Light and medium duty still this year itself we may touch the new peak. So therefore, my own feeling that we are going to see a good time for the CV industry. There may be different indications in some months or the other, but that doesn't mean anything. Even in the month of October, the industry has grown by 15% over a much better base of October last year because last year, October itself, the industry has started growing. And last year's second half, the growth had started. And even on that base, we have seen a growth of 15%.

Pramod Kumar:

And the pricing continues to get better, sir?

Vinod Aggarwal:

Pricing will get better as the industry grows; the pricing will get better. As of now, it is still not better, but you have seen a lot of press statements, which are coming from competitors that we are also concerned about profits. How long we will continue to show losses.

Pramod Kumar:

Thanks a lot sir. Best of luck.

Basudeb Banerjee:

Thanks. We'll request participants to limit their questions to two questions max. And next, we have Pramod Amte. Please unmute.

Pramod Amte:

Thanks for this opportunity. Since we touched up on OBD-II. Wanted to check one of your entry level product still runs on the old engine platform. What are the plans to comply on the same? Can all of your products easily go for OBD-II?

B. Govindarajan:

Yeah, so all our products as of now for OBD-IIA we are ready. And IIB we are working, as I was just explaining for the IIB, we have to be careful that it is not adding cost to the consumers and to us also. To that extent, we started working on and we have time for it. But time to come, the transition to IIA, we don't anticipate any problem. We'll be comfortably transitioning into that.

Pramod Amte:

And second follow-up question is, if I had to look at your ASP rise, the first quarter was impressive, and once you launched a new product, it seems to have seen a sharp QoQ drop and because of its first half, there is literally a flattish ASP. And if I hear you right, you're already seeing a better product mix within the Hunter 350. If it goes down, do you see a further pressure on your ASP in the second half and hence, you might have to take more pricing action to drive our top-line and margin expansion?

B. Govindarajan:

In the ASP, once again, first is the growth focus. That is what we actually said it's a rebalance. It has to be growth focused and we should get more consumers into this. We look at it the business of holistic. One is about that motorcycle alone and ASP. We actually look at the accessories, the GMAs, which all get added on to that, when the Hunter was launched, in fact, our GMA penetration has been slightly lower, because we also have not brought it in time, we've missed out.



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Commodity is the way we priced it at that point of time, the commodity has not shown anything substantially and that we are expecting that it will come down. The third, which I mentioned is as it is a new product, the value engineering projects have not kicked in. It is all in the pipeline. We were envisaging and has all host of activities, which must be looked at for the cost angle and all those things. But it will actually start certifying now on.

Another one lever, which is there, is the international market. International market, as of now, the product, Hunter350 has not come in, because we're just opening into country-by-country. So overall, as we wanted it as a growth, that's what it was meant for, and it has given. Now when we look at ASPs, profitability's, how do we work on it. And obviously, the avenues and levers will be pulled whenever it is required, and we'll be continuing on that path.

Pramod Amte:

Thanks and all the best.

Basudeb Banerjee:

Next, we have question from Raghunandan.

Raghunandan:

Good evening, sir. Congratulations on the unveiling of Super Meteor. Sir, I wanted to understand that there are expectations of multiple launches ahead at the 650cc space. How would you look at the opportunity? Would export be a bigger opportunity? Or would you see these models as credible upgrades for domestic market? Which one would be the bigger area you would focus on?

B. Govindarajan:

Look, first of all, the entire cruiser in India, we had Lightning, city bike, Thunderbird, Thunderbird X then we came out with Meteor. We understand long distance ride, we understand cruising. So, we came out with the 350 Meteor Cruiser, which is a simple cruising one. The 650 platform has come over the time when we were riding, and we were also talking to our riding community. Everyone started looking at, we should also come out with one more cruiser on the Twin platform. When we were contemplating and consuming the Twin platform at that point of time itself, we said the platform must come with a cafe racer, roadster and a cruiser. So, we came with Continental GT and with Interceptor 650. Globally, it has been a resounding success, and it actually created that category and groomed the category in that particular segment.

Now we see this is another one product, which everybody has been looking for, not a very heavy cruiser, a guy who doesn't like cruising can also get onto the motorcycle will enjoy cruising and it should be accessible and simple, not a complicated cruiser, ours is a feet-forward cruiser, you don't feel it is a very heavy machine. So, in the cruiser space, we feel there is a good space which we are entering. That's what our riders were looking at across the globe, and it is helping us in a right time, which you are bringing in, when I were just unveiling it two today's back and all the media when we were talking all the European customers who were here now and we are generally chatting with, it's coming out to be clearly that, that's the product exactly you are looking for and you brought the proper fit, finish and in all those things. And we will come out with a very good price point also in an accessible way. So that's across the globe, that will also show a growth potential. But more products which are in pipeline for us to bring in for India and others. As far as India is concerned, today, I think with the long roads, which are coming up and the riding culture, which is gaining momentum.

And post-pandemic, once again, people are out there, weekend raids are starting, with people started actually asking me by when are you opening the booking on the Super Meteor 650. So that's the demand which is coming up. So hopefully, I will be seeing that both in India and outside both ways, it will be addressing the easy cruising for even the non-cruisers.



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- Raghunandan:** Got it sir. All the best for that. Sir, my second question was on how much was the commodity impact in Q2 because gross margin QoQ could be impacted both by mix as well as by commodity? Also commodity deflation impact, do you expect from Q3 onwards?
- B. Govindarajan:** Yes, in Q2, it hasn't impacted into the P&L to that extent. So, it will start flowing in Q3 onwards.
- Raghunandan:** Thank you, sir. But would you be able to give some numbers, how much benefit do you expect?
- B. Govindarajan:** Very certainly in the next call, yes.
- Raghunandan:** Thank you sir. And all the best on the 650 side.
- Basudeb Banerjee:** Next, question is from Jinesh Gandhi. Please unmute.
- Jinesh Gandhi:** Sir, my first question pertains to the domestic market. So, excluding Hunter can you give some color on how our core portfolio is doing? If I look at the numbers on the wholesale basis, do we have to see material pickup in demand or a pickup in volumes from our normalized volume perspective. So, any color on that?
- B. Govindarajan:** If the question is towards Hunter coming and all the other models are not growing, Jinesh I can tell you there is a festive season anyway and all our models also has seen growth which is also a good sign. So, on the booking trend Classic, Bullet, Meteor everything has actually gone up. What we are doing now is within Hunter launched, we are watching every counter and whether it is giving an additional number or cannibalizing? That's what I mentioned, it is not cannibalizing at this stage which is a good sign for us. The consumers, even in the rural side, are also looking at the metro, so that is also increasing. In the process, other models are also coming. Having said, we are ramping up our digital presence in all the products.
- Even for Classic, we once again did Classic refreshed in the market with the digital media, and we started doing a lot of track dates for our Himalayan and Scram. We are doing a college connect for all our Scram. We have started the flat track and dirt track racing. All those areas are actually helping us at the product level also. Whenever the GT Cup things comes up and there is a buzz in the social media, in fact even for Continental GT's requirement and inquiry is going up.
- So, with a lot of news on the Super Meteor lot of more guys have started enquiring about Meteor. So, the inquiry for Meteor also has gone up. So, it's a combined effect as an organization when you come out with new products in adjacencies and convey that to the consumer authentically, this is what we wanted to come and give it to you. The rest of the products are also growing at this stage. But I have to give you one thing with the rider as this is the festive season everything has grown, so, we'll have to wait and watch. I also feel the refreshes will also start kicking as we have refresh plans. So, to that extent, we see there will be a growth in every product which we have.
- Jinesh Gandhi:** Okay. And secondly on Hunter, any sense on what proportion of demand comes from, beyond top 10 cities or top 20 cities Primarily, is it more broad-based in terms of demand through regional lens?
- B. Govindarajan:** We don't do it in that form. We normally categorize in terms of more than 125cc motorcycles per month in that particular region, AA+ types. If I have to tell you, the booking which is actually coming out city wise, it's across until it's actually having a response. Having said, in



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the initial field, which we wanted to give for the test rides, we have covered only about 70%, remaining 30% in the studio stores which were yet filling up. So, we are slowly doing the more opening, which we will be bringing in more consumers. So, it's a pan-India and it is not any one particular area. But we have been seeing the growth in all the top 10 cities which we have been watching, everywhere there is growth.

Jinesh Gandhi:

Got it. And sir one last question on CVs to Vinod ji. Sir with respect to demand from small and single fleet owners, are we seeing them coming back as that has been one segment which was yet to show any material recovery. So, what are the trends we are seeing there?

Vinod Aggarwal:

If you look at the trends in the light and medium duty trucks or in the sub 5 ton trucks, the maximum growth is there in those segments. And those are the segments which have either single truck owners or very small plays. So therefore, yes, of course, for the small operators, the interest rate and the sentiments they matter more. But at the same time, I think there is demand for movement of goods that has to be met. So, I think it's coming because of the economic requirements.

Jinesh Gandhi:

Got it. Thanks. I'll fall back in queue.

Basudeb Banerjee:

Thanks. Next we have question from Kapil Singh. Please unmute.

Kapil Singh:

Yeah. Thanks for the opportunity. Govind sir, first, the question is to you. When we look at your production, in the past been facing supply shortages. So, when I look at the current volumes, are you able to supply as per market demand or you're still facing shortages and therefore, you need to build out production from where you are currently?

B. Govindarajan:

As of now, we are almost more doing about 3100-3200 numbers. So, the capacity is not a constraint. Number one, because we have already built capex, so that's not the constraint now. Second, we had an issue of the semiconductors, availability of steel itself which are not in the headwind as of now, by large it's getting sorted out. I am not saying it is completely gone or something like that but that's not the top of the main issues now. We also started off doing inventorization, substitutions, all those activities which are required also kick started. So, production is not a constraint. It's a exact model mix, which we have to align and we'll give it to the consumers, and that's what it is. It's not a concern any more.

Kapil Singh:

Okay. Great to hear that. Vinod sir, one question to you, please. BS VI Phase 2 is coming up and if you could help us understand what is the kind of cost increase we should expect for LCV and MHCV portfolio? And what are the elements that are going to get added for that?

Vinod Aggarwal:

BS step 2 is going to come from 1st April 2023. And basically, there are much more stringent compliance requirements. But it means that the manufactures are responsible for ensuring the tail emissions, they continue to meet the standards on the road for a long period of time after the vehicles are sold. So therefore, the regulators can pick up any truck from the road and can see that whether it is complying or not. So, I think that is the major change that the emission standards have to perform absolutely in line with the law. And if they don't perform, then there can be major implications for the manufacturers. As far as the costs are concerned, there will be some increase in costs but at the same time, we are also working on various other cost reduction avenues. So hopefully, let's see how it lands and when we are closer to the date of implementation, we will take a call that how much price increases we will take, because of that.

Kapil Singh:

Sir, just wanted to understand, I know you will not have an exact estimate right now but directionally, when BS IV to BS VI happened there was a big concern regarding this. There



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was an element of pre-buy also that was expected. So, is it going to be that large? And will there be some segmental disruptions in, for example LCVs could see much higher cost increases or something like that.

Vinod Aggarwal:

No, it will not be that large.

Kapil Singh:

Okay. All right. That's it from my side. Thank you so much sir.

Basudeb Banerjee:

Thanks. Next, we have a question from Ankush Aggarwal. Please unmute.

Ankush Aggarwal:

Hi sir. Thank you for taking my question. Sir my first question is on the product portfolio. So, in the recent analyst meet, we had highlighted a lot of products, but what I wanted to understand is the product portfolio expansion in terms of new categories. So, for example, Hunter is a new category of products that bring a new set of customers to us. Himalayan was a different set of products that got a different set of customers to us. So, in terms of product portfolio that you're looking to launch, which are the products that will expand this category of customers and not just product that are expansion of existing line up products, if you can talk about that?

B. Govindarajan:

So Ankush, product portfolio per se, we were only one platform company and now there we have two platforms. Earlier because UC was the only platform which we had, now we have J-Series and P. We are also working on an upgradation cycle for all these platforms, because we have just launched and we have done a transition in this. In the product portfolio, we always look at what is it. There are some products like Classics or Meteor which are all innovations, but it is a replacement for an existing product. Adjacencies like we did in Himalayan for an adventure trailer, then we found Scram is one more variant which we can bring in, let's see what kind of an experience the consumer is looking at. Globally, in these sort of categorization, one have to understand is only the experience. So now we had Meteor with an experience we said, okay, in the platform of Twin, we can come out with an accessible cruiser of a retro cruiser style from Royal Enfield. That's what we are doing. Similarly, we did a Cafe Racer in 650cc, in a sports category. Is there something else which we can do at what point of time it is required, we will definitely come out with that. A Roadster category in that, what is the product adjacencies, which is required. And those are all the thought process for the product lineup, which we continue to evolve, that's why we always had a healthy pipeline of new products on a platform-based and category base have to be signed up and then the organization have to start working on, and our c are also dedicated only for that.

To that extent, our pipeline is very healthy. We have a lot of products which we have been working on. And in this year, you would have seen we came out with a Scram, Classic. Now we have the P4D which we are coming up. So, like that all these products will start coming up at an interval when the market is ready, and we will time that and then we'll do the launching. You will see a lot of new products which will keep coming from Royal Enfield.

Ankush Aggarwal:

Yeah, I get that. What I was asking is, will there be products that could expand category? So obviously, we have now launched Meteor 650, which is an extension of existing Meteor product, but something like a Hunter, which was a new segment all together. So, do we have those kind of products which would be our new segment and would bring a new set of customers to us?

B. Govindarajan:

Yeah. That's why I said, somewhere the Roadster as a category, which is very strong in 350 but there is a space for 650, we can look at that. So, we as a company don't do too much, that is also very clear. We don't have very relenting and do a focused approach. Whatever product which we bring in, it has to be successful because we don't bring product and then start



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looking at what is an experience which we can give it to the consumer. We actually go ride along with the consumer, we spend time, get the whole thing as I say well consumer is looking at this sort of an experience. So, whether I can come out with a variant rather than giving a full new platform development. Full new platform development is a huge effort. So, what we are looking at is when we were doing this J and P platform, we thought this platform should be expandable in a way that it can give adjacencies experience to the consumers. So, the core product, then adjacencies, then variants, then color refreshes, that's the cycle which we are normally looking for these two platforms. That way if you look at made in India and international market, there's a huge potential for us to exploit these two platforms itself.

And in terms of addressable thing, which we were talking about, outside India the market potential is so much like what it is there in India, and we have just started exploiting into their international markets. So, our focus also has to be how we capture that market outside with the platforms which are so successful now. And all the platform and the product are just one year, two years. So, it is just hitting the maturity cycle and it takes time for product to get the maturity cycle, then it has a huge potential. So, we will not be doing these things.

Ankush Agarwal:

Okay. Got it. Sir my second question was, internally, like when we look to price in new product. So, do we look at profit on per bike basis or it's more like a cost-plus kind of approach that we look at?

B. Govindarajan:

Pricing is never on a cost plus Ankush. We normally look at what is the product, what's the kind of accessible price point which he is looking at from Royal Enfield and who is the source of growth, where the growth is coming and what is his EMI? So, it has to be market focused rather than cost plus focused Ankush.

Ankush Agarwal:

That's right. So just to get a sense, what you're saying is you're broadly looking at the profit pool that you can capture rather than per bike

B. Govindarajan:

We never approach it like that way Ankush. We always looked at, there is a consumer who wants an experience from Royal Enfield and what's the value proposition which he is looking at from the Royal Enfield. Today Royal Enfield success is, the price which is being paid for the Royal Enfield he feels it's a jewel, which I'm just holding on and the value proposition is very good. That's why we always look at it from the customer in the market. What's the value which we can deliver, which the consumer feel that, Royal Enfield has delivered a fantastic value to me for the kind of money which he has given and that has to be very authentic. So, we always come focus on this rather than looking at the entire material cost plus add up which we don't do. Internally, we do the benchmark. We have to do the case in point of any product which comes in. We always look at it, what's the relative price index? Where is the source of growth? What's that price point for them? What does it mean in terms of EMI per month, if in case a price is like this those calculations we do, but we always look at the value for the consumer rather than just giving the pricing.

Ankush Agarwal:

That was very helpful. I have further question, I'll get back in the queue. Thank you.

Basudeb Banerjee:

Thanks participants, that was the last question. Thanks to Mr. Govindarajan and Mr. Aggarwal for replying to all the queries of the investors. For any unanswered question or any other query, please feel free to reach Investor Relations team of Eicher Motors Limited. I'll like to hand over to Mr. Govindarajan for any closing comments.

B. Govindarajan:

Thank you very much. It's been a wonderful interacting with you people. As an organization, we always look at being long-term focus. Internally, anyplace anything which we do we always look at it long-term. And that's why even in an Investor Meet myself and Vinod, we all



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came and then explain to you that it is a growth-focused organization, and that's what we will be at it. When we are growing, whatever correct things which are to be done for the organization, we'll continue to do that.

In Royal Enfield, EV is another one space, which we are now getting into that very intensely. In fact, I and Siddharth is here, we are all spending time and understanding the whole ecosystem, what's happening, what sort of a technology has to be looked at immediately, so those are the things. And maybe Vinod can add anything from the VECV side for closing.

Vinod Aggarwal:

No, I think you've summarized it very well.

B. Govindarajan:

Thank you very much. Thanks everyone for attending this.

Basudeb Banerjee:

Thank you very much.