“Eicher Motors Limited

Q2 FY27 Earnings Conference Call”

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Management:	**Mr. B. Govindarajan – Managing Director – Eicher Motors Limited and Chief Executive Officer – Royal Enfield** **Mr. B. Srinivas – Managing Director and Chief Executive Officer – VE Commercial Vehicles Limited (VECV)** **Ms. Vidhya Srinivasan – Chief Financial Officer – Eicher Motors Limited**
Moderator:	**Mr. Amit Hiranandani – PhillipCapital (India) Private Limited**

Moderator: Ladies and gentlemen, good day and welcome to Eicher Motors Limited's 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 touchtone phone. Please note that this conference is being recorded.

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

Amit Hiranandani: Thank you. Good evening. On behalf of PhillipCapital (India), I welcome you all to Eicher Motors Q2 FY27 Earnings Conference Call. I take this opportunity to welcome the management team from Eicher Motors Limited. Today we have with us Mr. B. Govindarajan, Managing Director, EML, and CEO of Royal Enfield, Mr. B. Srinivas, MD and CEO of VECV, and Ms. Vidhya Srinivasan, Chief Financial Officer, EML.

Now, I hand it over to the management for their opening remarks. Thank you, and over to you, sir.

B. Govindarajan: Thank you, Amit. Hello, everyone. Hope you all had a wonderful festive season. Thank you for joining Eicher Motors Limited's earnings call for the second quarter of financial year 26-27. Building on our strong start of FY27, I am pleased to share that we maintained our upward trajectory in the second quarter. Both of our business units, Royal Enfield and VE Commercial Vehicles, delivered record performances, driving Eicher Motors towards best-ever quarterly financial results.

At Royal Enfield, momentum remains strong across domestic and key international markets. We achieved our highest-ever monthly sales in September and October, and continued that trend through the festive period, driven by growth across our portfolio.

We expanded our EV footprint to Europe and U.K. with the launch of Flying Flea C6. VE Commercial Vehicles also achieved its best-ever second quarter, delivering robust multi-segment growth. It also continued its efforts to deliver class-leading uptime to its customers.

Collectively, this performance drove Eicher to a record first half, and we remain poised to sustain this trajectory in the upcoming quarters. With that, let me take you through the broad overview of the overall financials for the quarter. The consolidated financials for the second quarter for 26 - '27, our revenue, Eicher Motors Limited clocked its best-ever Q2 revenue at INR7,422 crores, marking a growth of 20% over INR6,172 crores from the Q2 last year.

Our EBITDA is an highest-ever EBITDA of INR1,760 crores versus INR1,512 crores in Q2 last year. Our PAT stood at INR1,573 crores, up by 15% from INR1,369 crores in Q2 last year, which included INR186 crores of EML share of profits from VECV in the current quarter.

Even as we continue with our solid business performance, I'm pleased with the progress we made on governance topics. Our efforts were validated as Eicher Motors received the Golden Peacock Award for the corporate governance for the second consecutive year, the only company across 11 industries to achieve this distinction. Moving on to the key topics and updates from Royal Enfield. We had a very busy and exciting few months with the new launches and business milestones across both petrol and EV.

During the quarter, we registered our highest-ever quarter sales at 376,722 motorcycles, as against 327,067 in Q2 FY26, registering a growth of 15%, a reflection of how our portfolio continues to resonate with the riders and the trust they place in us. Out of this, in India, we sold 340,847 motorcycles, growing at 16% with overall H1 growth of 23%.

In the global markets, our volumes stood at 35,875 motorcycles. Despite the dynamic macroeconomic and geopolitical environment, we continue to see encouraging traction in the key markets outside India. On the product front, our most exciting and anticipated launch this quarter was the Himalayan 440, the OG Himalayan, launched at the inaugural Himalayan Basecamp in Ladakh, which we started this year.

We listened closely to our community and went back to what made the OG Himalayan so loved. The 440 carries the 411 spirit forward for a new generation with an engine upgrade. The response has been incredible. Early bookings exceeded our expectations, and we are ramping up production to meet the demand. Just to state that we also passed our booking for some time now to meet the demands, which has been very high.

We also launched the Classic 350 Gorkha Edition in India and Nepal, the latest edition born out of our longstanding association with the armed forces. It pays tribute to the courage and the resilience of the Gorkha Regiment in a distinctive Gorkha Green that gives the Classic silhouette new depth. To complement the motorcycle, we also launched the Gorkha-inspired apparel collection. Some of our riders' favorite motorcycles got updated too.

The 2026 Classic 350 got new comfort features and a top-end signature white colorways, and the Continental GT 650 got feature updates as well, sharpening its overall style and practicality. We also opened registration for the limited edition of Shotgun 650, created with the Rough Crafts. India's allocation sold out in just three minutes.

The market situation with a positive customer sentiment and full and growing booking pipeline, we are scaling up our production and improving the inventory and the channel readiness to cater to the demand. To give you a background about what is happening in the Flying Flea, our electric mobility brand. In the Electric segment, we continue to take new strides. Customers have already ridden over 125,000 km cumulatively on the Flying Flea C6, our first electric motorcycles, making it part of their everyday lives.

To meet the growing interest, we have expanded our retail footprint in Bengaluru and introduced the C6 in Hyderabad and Pune, with new parachute white color waves. In addition to the Indian cities, the Flying Flea C6 was also introduced in Paris, Barcelona, Rome, and Berlin, and London in September, a significant milestone for us.

An initial response in Europe, like in India, has been promising, and we are looking at scaling up while making sure the retail and the service infrastructure is in place, and that we get the ownership experience right from the very beginning. Globally, we continue to strengthen our operations. In Southeast Asia, we introduced the Guerrilla 450 Apex and Goan Classic 350 in the Philippines, and the Bullet 650 and Guerrilla 450 Apex in Cambodia.

In Thailand, we strengthened our engagement with the motorcycling community through the launch of the FT450 Flat Tracker, alongside the inaugural Slide School of 2026. Brazil continues to be the central pillar of our international growth story. During this quarter, we introduced the Goan Classic 350, Guerrilla 450 Apex, and the Himalayan Mana Black, and also showcased the Flying Flea C6 at the festival in Interlagos.

We continue to see steady improvement in international volumes, especially key markets. We also continue to bring engaging rides and events for our community. We concluded the biggest edition of One Ride, with more than 150,000 riders across 60 countries coming together for over 1,600 rides on the common cause of snow leopard conservation. Honoring our pledge made during this event, we announced a contribution of over INR3 crores for this cause.

We also deepened our bond with the Himalayas through the 22nd edition of Himalayan Odyssey and the first-ever Himalayan Basecamp in Leh, Ladakh. Our other community-led properties continue to expand their reach, with HunterHood making its debut in Kochi, GRRR Nights hosting its biggest edition yet in Mumbai, and Gymkhana expanding to Surat and Kolkata. Across international markets, we hosted the Moroccan Odyssey and Moto Mongolia, taking our marquee ride experience to the new terrains.

We are also gearing up to celebrate the biggest edition of Motoverse, our annual celebration of motor culture, back for its 15th edition in our 25th year from 27 to 29 November in Goa. Looking forward to meeting you all there. Our government and sustainability efforts are also working very well.

Bringing our social mission work closer to people, we will host the third edition of Journeying Across the Himalayas, New Delhi, from 3rd to November. It's a cultural experience like no other. Once again, I extend a warm welcome to all of you to visit this place.

And lastly, a very gratifying recognition, Royal Enfield ranked the first two-wheeler OEM category at the FADA Dealer Satisfaction Survey 2026 of the second year running. Together with our dealer partners, we committed to delivering the true Royal Enfield experience for our riders, ensuring every aspect of the journey, bringing the joy of pure motorcycling.

Now I will hand it over to B. Srinivas, MD and CEO of VECV, to take us through their business highlights of VECV. Over to you, Srinivas.

B. Srinivas: Thank you, BGR, and good evening, everyone. In Q2, VECV recorded several best-ever quarter milestones across segments. VECV achieved its best-ever Q2 sales with 28,071 vehicles sold, an increase of 28.2% over the same quarter last year. For the first half, deliveries reached 52,886 vehicles, 21.5% higher than last year, highest ever.

The performance was broad-based with growth across our vehicle businesses, as well as engineering components and power solutions. The recently launched Eicher Pro X crossed 5,000 in cumulative sales, reflecting encouraging customer acceptance and confidence in the Eicher brand. Of these, over 1,400 units are electric.

Volvo trucks and Volvo buses maintained healthy delivery levels as customers increasingly recognized the value of world-class solutions in India's fast-modernizing transport landscape. We continue to invest across our product portfolio, manufacturing, commercial operations, and service network to strengthen our long-term growth platform.

A key milestone during the quarter was the inauguration of our next generation uptime center at Pithampur. Building on Eicher's 100% connected fleet, the center tracks customer trucks and buses in real time through a central control tower.

It uses AI-enabled remote and predictive support to improve vehicle uptime and deliver industry-leading service to our truck and bus customers. Volvo Buses in India delivered a record 422 units in the half year and has announced significant orders from large operators as passengers move towards comfortable and safe buses.

Now coming to VECV's financial performance for the second quarter of financial year 2026 and 27. Revenue from operations was INR7,568.6 crores, up 24% from INR6,105.8 crores in the same quarter last year. EBITDA rose 22.7% to INR587.7 crores compared with INR478.9 crores last year.

Profit after tax increased 37% to INR341.6 crores from INR249.3 crores in the corresponding quarter last year. This performance reflects disciplined execution despite supply chain challenges and inflationary pressures linked to the continuing West Asian situation.

During the quarter, we remained focused on customer value through superior fuel economy, higher uptime, and a stronger support network. We will continue to build on this momentum while maintaining a balanced focus on growth, profitability, and investments for the future.

Now, I will hand it back to BGR for his closing comments.

B. Govindarajan: Thank you, Srinivas. In closing, I am glad to share that the strong growth across Royal Enfield and VECV helped us deliver our best-ever H1. The resilience of our growth over the past eight quarters makes us confident that our strategies are steering us in the right direction, and we expect the trajectory to remain on an upward trend.

As Royal Enfield's 125th year draws to a close, we recently made some exciting announcements at EICMA, which showcase what's next for us. I am sure you have already seen the new directions, and so the future is clearly exciting, and we welcome you all to join us for this ride.

Thank you for listening in. Wishing you all a happy New Year in advance. Now we can move to the question-and-answer.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar: Yes, thanks a lot for the opportunity. Before my question to you, BGR, I wanted to congratulate Srinivas, sir, for what looks like a very, very strong performance at VECV, contrary to what we are seeing with the other peers on margins. I think kudos to you, sir, and best of luck for the future.

BGR, my question to you is on the demand bit, because you did talk about demand being strong and booking numbers are large. If you can just help us understand how the festive retails have been for you. I understand that was kind of restrained by or limited by supplies and inventory availability.

So if you can just help us understand how much of the counter retails, how were the booking trends, what's the kind of booking numbers you're carrying at the end of the season, and what is the inventory level of the dealers at Royal Enfield, and how should one look at the -- if you also can talk a bit more about the capacity expansion plans as to whether it's higher than what we had guided earlier in terms of timeline.

And if you can just quantify the numbers as to by March quarter end, what will be the capacities we'll be working with, and when does this hit the tapes, sir? So that's on the Royal Enfield side.

B. Govindarajan: Oh, that's about four, five questions, Pramod. Thanks for that. I'll pass on the appreciation to the VECV team too. On the overall demand bit and the supply bit, let me give you the background. In the first three, four months of this year, our growth has been higher than the market growth, and our retail has been very good. So what has happened is there is a bit of a depletion in the overall inventory level.

Otherwise, the production has been talking at a very high level. Our festive period actually started for us right from the Onam, 17th August, and it's going on even now, so we can't say it is over. Production capacity is also continuously increasing. Our monthly production has upped by almost 15% during this year compared to last year.

Overall volume growth is about 18% over the last year for RE for the year till date, April to October, I am saying. However, as you all know, we started the festive season with a very significantly lower channel stock. What we have done is that our direct shipment used to be only about 1%-2%. This time, we devoted for the direct shipment more, thereby the secondary shipment time is reduced so that it can reach to the customers.

We increased it to almost 18% during this window. That has really helped to reach the customers in time for the retail. Honestly, the retail for the season was limited only by the supplies. Post Diwali, our channel stock is, we are acting, is almost about seven to eight days, including the transit.

What is happening in the booking and overall in the market, we have seen a very steady increase in the inquiries and booking in 2026 over the 2025. In fact, the growth, if I have to tell

you, is almost about 20%-21% is the kind of a growth which we have compared to last year. We are seeing the growth momentum is just continuing, and our inventory level currently is almost about seven, eight days. That is where it is.

We have to fill this channel stock, which is going to come in the next two months. That is obviously linked to the capacity, what the delivery which is there. That is the sequence which you also asked. Normally, we operate with almost 3-4 weeks of channel inventory. I share we do not operate with heavy inventory.

We always operate with a lean inventory, and we focus on retail. Now, we are working on ramping up production. You are aware, we started the year with a capacity of almost 1.5 million per year capacity with Vallam and Oragadam. We started the brownfield project, Cheyyar, with an investment of almost about INR1,050 crores in three modules.

Module 1, it started the production in Q2 of FY27, and now we are, so overall capacity built is about 1.65 million per year. We are now working on bringing forward the Module 2, because it is a three module, but bringing forward the Module 2, and we start the production, the plan is the second module by Q4 of FY27, which will take our overall capacity to 1.8 million per year.

The third and the final module out of Cheyyar is also on track, and that will happen from the Q2 of FY28, which will be good for the festive season of the coming year. With this combined capacity of Oragadam, Vallam, and Cheyyar, we will take our capacity to 2 million, which will be ahead of the festive season for 2027. That is the thought in the entire capacity build-up.

We will continue to ramp up our direct billing to the dealers so that we can reduce another about four, five days of inventory, which gets stuck up in the C&F agency and all those things.

Pramod Kumar: Govind, before the second question, kudos to you and Vidhya as well, because you guys have delivered a very good number despite not holding back on investments and expenses, right? I see that there has been a reasonably strong other expenditure surge as well. You are investing behind growth, which is good, and not cutting back to show margins. I think I appreciate that.

Govind, the second question is on the new plant, the greenfield facility, and what are your thoughts on the premium category as a whole, given that there are concerns around electrification as a structural challenge for the motorcycling industry or the ICE category, because ICE category has not done that well in the festive season.

If your broad thoughts on how you are seeing premium category demand for your categories and whether you are seeing any implication of electrification, any early word from the NCR market in terms of, or Delhi market in terms of because of the impending ban on ICE. If you can just share your broad thoughts on this particular aspect, sir. That will be all. Thank you.

B. Govindarajan: Yes. So the first is about the greenfield project in AP. As part of our long-term growth strategy, we are acquiring almost 216 acres in Andhra Pradesh, you all know. We also got the board approval for almost about INR1,225 crores for the phase I of the greenfield expansion and taking the capacity to additional 4.5.

It means almost 2.5 million capacity per year with the AP. That capacity will be expected to complete by 2029-2030. That is the current thought as of now. We are looking at how we speed up, how do we get that forward. That is what is the thought process which is there for the new plant. The second question which you have asked is about motorcycling and the premium category. I think premium motorcycle growth is continuing.

The phenomenon of premiumization in the market is not showing any growth or something. In fact, of all these things, only that segment is what is showing very good growth. We could have also propelled the growth more if we had inventory a bit more, as because the inventories were not there.

The growth of that segment also is slightly lower because we are the market leader in that. We would have set the tone further into this if the inventory had been there. There are no signs which are actually showing at this stage that the premiumization is coming down from on.

Pramod Kumar: Thank you.

B. Govindarajan: We will move on to the next question.

Moderator: Thank you. The next question is from Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my questions. First question is just on how you are thinking about the next 6- 12-month period in terms of what you did mention that you had 21% growth in bookings. There has been 15% growth in production. You are adding capacity potentially and this fiscal year at closer to 1.8 million units.

Just want to understand in the back half, just given that inventory is also relatively low, just close to one week as we speak. What is the rough range of growth you expect for the premium motorcycle industry and for Royal Enfield?

B. Govindarajan: Normally, it is like this, as you all know, our growth has been in the first half, which is almost about 20%, 21%. The current scenario, as you all know, is that we have a very lean inventory. We have to fill that inventory. That is the first opportunity which is also there for us to do a higher wholesale. Obviously, the growth will continue because we are sitting on quite a substantial booking.

We do not give the correct exact numbers as guidance, but we are sitting on quite a number of bookings because we have not supplied. Production is ramping up, so next few months it is going to be focused on production to supply more into the market. Also, because of the supply situation, in fact, during this quarter, we were also looking at calibrated marketing intervention.

Once the production supply starts, our marketing intervention also will go up. Premiumization is continuing, and our booking rates are very good. As I mentioned, it is almost about 21% plus growth, which is happening. A lean inventory and production is going up. It is a good situation to be in to fill the gap in the market and then continue to grow.

Chandramouli Muthiah: Got it. Just a clarification on that, with 21% bookings growth number, is that a YTD number? Is that a festive over festive number? Just trying to understand that a little better.

B. Govindarajan: YTD number, and during festival, it is slightly higher. Maybe some months it is lower, but at a YTD level, that is a growth rate in the booking.

Chandramouli Muthiah: Got it. That is helpful. Second question is just around price actions. I think you have taken price hikes, three price hikes calendar year- to- date. Steel prices have not come off too much in the recent past. I think it is aluminum which has come off a little bit. Just want to understand if there is any new price actions we have taken in the December quarter-to-date.

Vidhya Srinivasan: I think we have, as you rightly mentioned, we have been taking pricing actions. In October also, we have taken an increase of about 0.7%.

Chandramouli Muthiah: 0.7%. Got it. Got it. Okay. I think we have had that would be the fourth price hike of the year so far. I think we have had 70 basis points in the month of July and 280 basis points between January and April.

Vidhya Srinivasan: Yeah.

B. Govindarajan: Right. It's a fourth intervention on the pricing.

Vidhya Srinivasan: Yeah. I think we've tried to I mean, we've obviously tried to keep pace because we do not want to take a very, very significant increase right away, but we keep looking at how the commodity is moving and then based on that, we've taken calibrated pricing actions.

B. Govindarajan: As we always mention, our pricing is not cost-plus. We always are looking at what products, what's the value, and how is the perceived value for the product? Is there a space for us to increase the price? If the commodity pressure is there, how much we can pass on? So that's a calibrated approach which Vidhya was telling about. That's how we approach our pricing. You are right, Chandramouli, we have had about four interventions in the pricing during this year.

Chandramouli Muthiah: Got it. Makes sense. That's helpful. Thank you very much and all the best.

B. Govindarajan: Thank you.

Moderator: Thank you. Next question is from Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hi, team. Thanks for the opportunity. My first question is on the, when you look at your booking number and the ASP trend, how to see that, how to build that going ahead? What are the models which are driving bookings? Because one thing we noticed in this quarter also is that the ASPs have been trending down slightly due to mix. Could you share a little bit about what are the models which are driving booking, which to an extent will drive the mix?

Vidhya Srinivasan: I think if you look at it, in standalone ASP, we've actually had an increase of about 0.5% versus Q1, mainly because of the price increases which have happened and also a little bit model and variant mix. It's only consolidated ASPs which have declined a little bit, but mainly

because of the geographic mix, as you rightly mentioned. I think right now, obviously, a lot of our, I mean, all the models are doing quite well across the board.

So J is driving pretty much most of the action in India, and we, of course, have some of our Himalayan and Guerrilla bikes, which are also doing reasonably well. I think, I don't think I can pinpoint any specific model which is kind of driving all of the ASP growth going forward. I think-

B. Govindarajan: If at all we had to give more color onto the overall growth, because he is struggling to find which model has not grown. All the models have grown. Just to give more color onto this, we launched the OG Himalayan 440, and we were also looking at between Himalayan 440 and Himalayan 450, how the growth will be. But Himalayan 440 actually propelled the growth of even Himalayan 450.

So combined together, the adventure motorcycles growth in Royal Enfield is also better in terms of booking. It would have gone up if we had not stopped the booking for Himalayan 440. We stopped the booking for Himalayan 440 because it has touched a number where six months of our capacity is sold out. Otherwise, even combined, it is going up.

The second data point for you people is, the pre-GST to post-GST, because of the higher cc vehicles which had the sin tax which was attached to it, currently happy to share that we are back to pre-GST level in our 450cc and 650cc platform.

Binay Singh: Right. Second question is, basically when you think about this 0.7% price hike that we have taken, and looking at all the moving parts, which is a little bit of weakness in aluminum, a little bit of currency weakness, little bit increase in steel, is this the 0.7% hike offsetting all these things?

B. Govindarajan: Obviously, no. It can't be. That's why I said in a current scenario where we can't be looking at any inflation can be passed on to the customers. We should always be looking at the customer should feel that there is a value which is getting added. If I have to tell you what the kind of a coverage which has been done, we have done almost about 50% of the commodity impact that has been covered through the price increases.

Binay Singh: Okay. Lastly, give any outlook on exports? How do you see that tracking for the rest of the year? Thanks.

B. Govindarajan: International market is doing well for us. Brazil is one country, as we always said, that that is a home market. We have launched our own Classic Guerrilla 450 Apex model and the Himalayan Mana Black in Brazil. We are also there, the Interlagos, as a festival. We showcased our C6.

Things are better in Brazil. Latin America, we have become number four in Colombia in the mid-size market. Mexico is showing some green shoots. U.S.A. started actually looking up. Currently, I am seeing the international market, it is on the track to open up more for us.

Binay Singh: Do you expect volumes to sort of for the year almost to match up to what you did last year? Or any number you want to put to that?

B. Govindarajan: Well, there will be a growth. Obviously, we are pushing and always we look at it, every product which we are launching should grow. We do not provide any forward-looking numbers exactly what it is. But I can tell you we are ramping up our CKD operations in Brazil and SAR. We are building the brand awareness for all the launches in international markets.

Our riders club engagement is going on. In fact, we have 45,000 people who signed up in Europe for the riders club. We are also looking at what is the event which we can do in this. We are also looking at some new market entry, Indonesia, whether we should have a CKD, Africa, how do we enter into the market. We are exploring. We will go slow, but our focus is how do we grow the international market. That is continuing and things are positive.

Binay Singh: Great. Thanks, team.

Moderator: Thank you. Next question is from Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma: Hi, good evening, sir. Thank you for taking my question. Sorry to go back on this, but if you could just elucidate a bit more on the capacity part. Last quarter, you said capacity was 1.5 million by the end of the last quarter. If you could give us a bridge between 1.5 million and the ultimate 4.5 million again, that would be great, sir.

B. Govindarajan: Yes. Let me give a clarity. We started the year with a capacity of approximately about 1.5 million per year. That was achieved through the debottlenecking of existing plants, Vallam, Oragadam, productivity improvements, low-cost automations, and all those things. We started the brownfield expansion at the Cheyyar, which was announced in February 2026, with an investment of about INR1,050 crores in three modules.

Module 1, which has taken the capacity to 1.65 million per year. From 1.5 million, we have gone to 1.65 million by Q2. What we are now looking at is the Module 2 of the Cheyyar plant, which was supposed to come at a later point of time. We are preponing that, and we will get it by Q4 of FY27, which will take the capacity to 1.8 million per year, which will be readily available for Q1 of FY28.

The third module, which we are talking about, this is the final module, that will kick in from Q2 of FY28, which will be ahead of the festive season. Thereby, the total capacity will become 2 million. That is with the brownfield expansion. The greenfield Andhra Pradesh, which we are talking about, is an additional 4.5 million, which we are starting up the action, which will be available for 2029-2030. That is how the capacity build plan is made. Hope that gives you clarity, Arvind.

Arvind Sharma: The greenfield would be 4.5 million additional?

B. Govindarajan: That is right.

Arvind Sharma: Okay, so total 6.5 million by FY30?

B. Govindarajan: No, no. 2 million plus 0.45 million, so that's 4.5 lakh.

Arvind Sharma: Okay.

B. Govindarajan: So it will become 2.5 million. Yes.

Arvind Sharma: Got it. Thank you for the clarification.

B. Govindarajan: It is 2.45 million. Yes.

Arvind Sharma: Right, sir. Second question would be on the platform part, with the Himalayan 440 coming in. What is your strategy between having very close engine sizes, 440 and 450? What is the differentiation that you are targeting, and is there any particular client that tells that both of these different platforms target?

B. Govindarajan: Well, you know Royal Enfield. Royal Enfield is a company which will listen to the community and the riders, and because we ride, we are there with them always. The community was always telling Himalayan 450, it is a fantastic motorcycle with the navigation system, which is a Tripper Dash, which is there, with all the technology which is required for the exploration adventure and also for globe tracking.

But the community has been pushing us very hard that we should have the OG Himalayan, and unmistakably the original Himalayan 411, that is what they wanted, including the meter console. So we brought that motorcycle. We actually wanted to celebrate the 10-year anniversary with a badge on that, and it really helped us to build. It is at a different price point because the velocity is slightly different than the compared to Himalayan 450.

As I mentioned, it got sold out in flat 17 days, and on the 18th day, I had to tell the team to stop booking, because there is no capacity. We had to build the capacity for that. It is at a very attractive price point of about INR2.29 lakh ex-showroom, compared to the 450cc, which is a clean about INR45,000-INR50,000 difference between these two. So at a price point level, it also helps to get a bit more customers into this.

The worry is what? We did not actually cannibalize it whatsoever, but both cater to a very different customer segment in our understanding, because when we ride, you can feel that Himalayan 450 is for performance-oriented riding, while Himalayan 440 is for the riders looking for simplicity and enjoy your own speed and terms.

There is a price laddering between Himalayan 440 and Himalayan 450, so to that extent it is not cannibalizing. That is what I was mentioning. Combined Himalayan 440 and Himalayan 450, the overall number has gone up for us in the 400cc-500cc range of adventure motorcycle, which is a good sign. But we will open up Himalayan 440 once again for booking, and then we will watch for some more time whether to continue Himalayan 440 and in what avatar we will continue.

Because we are an organization, we always look at what community wants is what we will give. If the community wants us to continue the Himalayan 440, we will continue, or we will

take a call of making only Himalayan 450. That is not decided at this stage. Having said, even the international markets are actually started asking us the Himalayan 440. We are evaluating it.

Should we actually open up the 440 also into the Himalayan 440 into other markets, which are developing markets? Developed markets are by and large looking at only 450cc. But in developing markets, because of the price point, once again looking at whether there is an opportunity for us to get 440, we are evaluating it. If the platform lends itself for a higher number, why not? We should give it to the customers to bring the pure motorcycling experience which we always stand for.

Arvind Sharma: Got it. Thank you so much. If I may just squeeze in a very numerical question. Between Q1 and Q2, there has been a decline in depreciation. Anything to look into it?

Vidhya Srinivasan: Yeah.. See, I think the decrease is only about 50 odd crores, just basically because there has been an end of life of a few assets which are related to 350cc and 650cc platforms in Q1, which ceases to be there in Q2, so that is the decline. Otherwise, overall gross block has increased versus the previous quarter, and depreciation has also increased from that standpoint versus last year.

Arvind Sharma: Got it. Thank you so much. That is all from my side.

B. Govindarajan: Thanks, Arvind.

Moderator: Thank you. Next question is from Gunjan from Bank of America. Please go ahead.

Gunjan: Yeah. Hi. Thanks for taking my question. Just a quick clarification on the festive numbers. Did you mention that festive growth was 18%, or was it for the YTD? & Is there a way that you can sort of give us a sense of what is the magnitude of pending bookings? Because I think the consistent feedback from dealers in your case is that we are supply-constrained.

So I am sure there will be a set of pending bookings. Is there a sense that you can give to us as to what is the magnitude of that? & Can capacity ramp-up be accelerated from the current timelines? Is that even viable, or is it going to be Q4 exit?

B. Govindarajan: So a few things, Gunjan. One is about the booking, and I am sure not the exact number I am going to tell you guys, but I can tell you that some models booking is as good as two months. That's what the booking trend as of now, and that has grown by almost 20%. It is continuing. Even today, the inquiry rates and the booking rates are continuing.

Our endeavor is to bring the capacity forward. That is why the Module 2, which was supposed to take the capacity to almost another 1.5 lakh, which we are preponing it now. I mean, one more thing which I have to tell you is, if that gives you some clarity, is our average inquiry and booking post the festive, during festive time it will be higher.

Post the festive, which we have been monitoring, we have come to the pre-festive levels of the same growth rate, which we have seen in the year. To that extent, it is the booking and the inquiry and the interest is continuing. Our web visits are continuing.

In terms of capacity, bringing it forward, we are pushing hard, and that is what we wanted to do. From 1.415 million, we have 1.5 million, we have gone to 1.65 million. We are now working on getting that capacity to 1.8 million per year in Q4, which is actually we're trying to start it from January itself. Let me put it like that. The fourth quarter will come just before the festive for coming year.

Gunjan: Okay, got it. The growth that you mentioned is persisting post-festive also. Is it fair to say we are seeing, like despite the base effect and all of that, we're still seeing double-digit growth in inquiries and bookings post the festive? That's the reading we should have?

B. Govindarajan: I'm on, Gunjan. Yes.

Gunjan: Okay, got it. The second question, I just wanted to hear your thoughts on this whole pockets of semi-urban and rural, some stress because of monsoon disruptions, etcetera. I think over the last couple of years, we've also seen the share of semi-urban and rural go up in the portfolio. Are there any pockets of underperformance or some regional divergence that you're noticing in your portfolio?

It will be good to get some color on how should I be reading this whole rural noise as far as your portfolio is concerned. Because everything that you're sharing, of course, sounds that there is a lot of strength in the demand and bookings, but should we be even bothering with the noise that we're hearing on rural?

B. Govindarajan: This noise, we are also trying to analyze, Gunjan, because it also reaches us. Is that a case? Because we haven't seen anything like that in our analysis. If I had to tell you our analysis, what it's showing so far, we haven't seen any signs of slowing demand in rural or semi-urban areas. Contrary to the lot of the noise which is there in the market, they are delivering a strong growth in year-to-date for us.

For H1, booking growth in the states comprised predominantly semi-urban and rural Uttar Pradesh, West Bengal, Bihar, Rajasthan. They all also stood at more than 23% for us. We are closely monitoring the key indicators for any agricultural output, credit availability, monsoon, all those things we are seeing. But at least there is no signs which is actually telling us to show, oh, there is a slowing demand. It is not showing anything.

Gunjan: Got it. Lastly, if I can squeeze in one for Vidhya. On the margin side, you did mention that price hike has been taken. But directionally, can you give us some sense, if commodities were to stay where they are now, should it be fair to say that we should be now in this range, at least in the near term, and recovery, of course, is more an outcome of beyond quarter four or when commodities cool down? Some sense on the direction from here.

Vidhya Srinivasan: Gunjan, as you know, we don't give forward-looking guidances, okay? So I cannot really talk about it. Obviously, there is volatility. We've taken pricing action now, so we'll see how that all plays out.

B. Govindarajan: Gunjan, I will continue to emphasize the same point that all of us also have to help us out to have the narrative clear is, the range bound on the percentage is not what is driving us. The growth and an absolute profit is what drives us, the organization, and we will continue to focus like this, rather than just looking at the percentage. That is the organization alignment.

Vidhya Srinivasan: I said this in threecall, I did not want to say it in this call.

B. Govindarajan: Once again, it is the same thing that you guys should help us out to think through like that.

Gunjan: Got it. Thank you so much. I will join back the queue.

Moderator: Thank you. Next question is from the line of Joseph George from IIFL Capital. Please go ahead.

Joseph George: Yes, hi. Thank you for the opportunity. I just have one question. What I am doing here is I am just comparing your wholesales and retails. Over the last seven months, which is, say, April to October, your aggregate domestic wholesales were about 765,000.

When I look at Vahan registrations, the retails during the same seven-month period is about 710,000. Effectively, retails are trailing wholesales by about 55,000 or so. What I want to understand is, on one hand, you are saying that the demand is so strong, there is waiting period, etcetera.

Why is there a shortfall in the retail registration that we are seeing compared to wholesales over this long seven-month period? Second is, if the gap between wholesales and retails in that seven-month period is 50,000, 55,000, that is equivalent to approximately two weeks of your typical sales, non-festive. How is the closing inventory now at only seven days?

B. Govindarajan: It is good, Joseph, maybe you have to drill down a bit more. What happens in the Vahan, the exact numbers, though we track it on a daily basis, normally there will be spillovers. Sometimes there will be a spillover, and it may not be reflecting the exact one. Between the wholesale and the retail, as you are also mentioning, the physical stock inventory which is there as of now is only almost about seven days, including the transit.

That is what is the stock level which is there. Our booking rates are very high. What is going to happen is, the floor is free for us to actually do a wholesale. There is a huge booking tendency which is there, the retail, which is going to be faster. The focus of the organization has to be delivering those numbers. That is where it is.

Joseph George: The lead and lag of retail registration, when I am looking at it on a seven-month period, which is long enough, doesn't it even out the lead and lag?

B. Govindarajan: It should. I haven't understood where exactly so much of a gap which is coming, Joseph, having raised. We will also do that because our Vahan tallying is not showing that sort of a difference. We will check that out once again.

Joseph George: Sure. Okay. Thank you.

B. Govindarajan: Thank you, Joseph.

Moderator: Thank you. Next question is from Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Yes, good evening, sir. Sir, first question is on electrification. For our segment, which is the Premium Motorcycle segment, how do you see the relevance of electrification in these segments over next three, four years? What kind of penetration of electric bikes can we expect for Royal Enfield?

B. Govindarajan: Two things, Kapil. First is, our electric mobility brand is Flying Flea. It's a new young brand. We have to do a lot of work on building the brand. It's a city plus electric motorcycles from Royal Enfield. The first is, it's a showcase that we are into electric, and the acceptance by our consumers has been outstandingly well.

In fact, we opened only at one showroom in Bengaluru. Now we are in Hyderabad, and Pune, and now we are going to do it in Delhi and Cochin and all other areas, Chennai. The inquiries are very good. Bookings are slower because we have to give more experience ride to them, so people are also taking time. It's a new segment and new category. It will take time to grow that whole thing. We are not in any tearing rush.

We wanted to build that properly one by one. I must tell you that on a motorcycle, when we launched it, the interest was so high in India. When we launched in Europe, it's furthermore very exciting for us as a team, and the response has been very good. We are now focusing on only one product. You all had seen in EICMA, we have shown the S6, which is our scrambler. On the same platform, we can have two products.

From one product, we are now extending it to the second product, which will answer some other needs of it. But it is still city plus, city plus. Motorcycles is also beyond city. The adoption, this is my personal view, will take more time. There is no science which is showing that within three years it will happen, five years it will happen.

We are in for a long haul. We want to build the category, and you will see more products which will come because that's how we have to prepare ourselves for the future when the electrification takes on. As I mentioned, we are good followers. We will consistently work on giving a very differentiated experience for the people. They should get that. I think we are on the track of building the category. We have to wait for some time to really see how the adoption is going to become faster.

Kapil Singh: Okay. Sir, the second question was in terms of the broader portfolio plan since we are expanding capacity significantly. Of course, there's very strong demand right now, but when we think of segments, for example, in terms of sporty segment, are these segments which will

be of interest for Royal Enfield, or we will remain focused on the retro classic kind of segments only? From a price point perspective also, right now the entry price points which we operate at, are the price points below that also of interest to us, or we would not consider those?

B. Govindarajan: Royal Enfield, we always believe less is more. We will not do too many things. Second is, our focus will be middle weight. Middle weight we always say 250-750cc. Currently, 350cc, we have models like Bullet, Classic, Hunter, Meteor, Goan Classic. On the 440cc, as we brought in the OG Himalayan, our Sherpa 450cc, Himalayan and Guerrilla, which is there, and 650cc, which has Continental GT, Interceptor, Super Meteor, Shotgun, Classic, Bullet.

There's about 17 different motorcycles which we have, and our market share in India in the middle weight is somewhere around 80%-82%. On the motorcycle, we are still about 8%-9%. So there is always a potential for us when the premiumization as a theme which is continuing in India.

It is very good for us because we have such gorgeous motorcycles in 350cc-650cc. You all had seen the Himalayan launch in EICMA, which is also a 750cc adjacent piece. So our focus is middle weight. We continue to focus because we are very confident that we can grow the market further. Just to give you a number, if it will help you to think through, about seven, eight years back, this number used to be somewhere around 60,000 a month, and of which we were somewhere around 50,000-51,000 per month.

Currently, that's the middle weight I'm saying. Currently, it is almost about 1.3 lakh per month, and we are as good as about 1.2-1.21 lakh per month. So the middle weight has grown, we also have grown, and we led the growth. We will continue to lead the growth is the confidence which we have in the products which we have and the pipeline of products which are going to come.

Kapil Singh: Okay, sir. Thanks. Just one follow-up on VECV. We have seen some dip in market share. Any color there? Like, what's causing that?

B. Srinivas: Yes. There is actually growth in all the segments, specifically application-oriented segments. Overall, I think we have grown with respect to the market. However, yes, I think a few areas, probably there can be changes here and there. Otherwise, VECV has recorded a growth of 21.5% over last year.

Kapil Singh: Okay, sir. Thank you.

Moderator: Thank you. Next question is from Yash Agarwal from Nirmal Bang. Please go ahead.

Yash Agarwal: Hi, sir. Thank you for the opportunity. My first question is basically on the commercial vehicle demand. Like last year, we have seen a surge in sales in Q4 as compared to other sectors. The Q4 was stronger for CV. How do we see second half planning out for commercial vehicles overall?

B. Srinivas: We have seen substantial growth compared with last year for the first two quarters. We see the similar demand pattern and all across, whether it is from the rural side or semi-urban and urban, there is a good demand in all segments. At this point of time, look at the kind of opportunities and the order book, the Q4 appears to be quite robust.

Yash Agarwal: Okay, sir. My second question is basically on with Royal Enfield increasing focus on expanding its addressable market. Does management see an opportunity to expand its portfolio below 350cc? How would you approach this segment without diluting the brand's premium positioning?

B. Govindarajan: Yash, as I just said, Royal Enfield focuses on the middle weight. Middle weight, we always said, it is ranging from 250cc to 750 cc. Currently, we have almost 17 different motorcycles on 350 cc, 440 cc, 450 cc, and 650 cc. There is a robust demand. As I mentioned, the booking is very good. We are growing at a 20% plus rate, and the supply situation is slightly lower at this stage, so production is ramping up. The focus of the organization in the short term is, how do we fill the demand?

Once that situation comes to a particular level, we will start looking at increasing our marketing activation of this existing platform, because that is one thing which we have put back on adjournment for some time because of the supply situation. That will further help us to increase our booking rate. Our focus is on the middle weight. We will continue to focus on that.

Yash Agarwal: Okay, sir. That is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference back to the management for closing comments.

B. Govindarajan: Thank you, everyone. It's wonderful talking to all you people. We'll see you all in the next quarter. Thank you.

Moderator: Thank you very much, sir. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.