



“Eicher Motors Limited

Q3 FY '26 Earnings Conference Call”

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MODERATOR: **MR. HITESH THAKURANI – HDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Eicher Motors' Q3 FY '26 Earnings Conference Call hosted by HDFC Securities 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 this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hitesh Thakurani from HDFC Securities Limited. Thank you, and over to you, sir.

Hitesh Thakurani: Yes. Thank you, Iqra. Good evening, everyone. This is Hitesh Thakurani from HDFC Securities. Appreciate everyone logging into this 3Q FY '26 earnings call of Eicher Motors. From the management team, I'm pleased to host Mr. Vinod Aggarwal, Vice Chairman, Eicher Motors Limited, MD and CEO, VE Commercial Vehicles Limited; Mr. B. Govindarajan, MD, Eicher Motors Limited and CEO, Royal Enfield; and Ms. Vidhya Srinivasan, CFO, Eicher Motors Limited.

I'll now hand over the call to Mr. B. Govindarajan for his opening remarks and post which we will begin the Q&A. Over to you, sir.

B. Govindarajan: Thank you, Hitesh. Hello, and good evening, everyone. Happy New Year. I hope it has been a good start to 2026. Thank you for joining us today at Eicher Motors Limited earnings call for the quarter ended December 31st, 2025. December marked the close of a significant year for Eicher, one that saw consistent performance across our businesses.

Important milestones for Royal Enfield and continuous progress at VE Commercial Vehicles, too. The third quarter was shaped by launches, events and community-led initiatives, and we continue to witness high customer confidence and trust in our brands. Before we move into the detailed business updates for Royal Enfield and VECV, I'll begin with a broad summary of the overall financials.

EML consolidated financials for the third quarter FY 25-26. Our revenue for Q3 is at about INR 6,114 crores, marking a growth of 23% over INR 4,973 crores from Q3 last year. EBITDA stands at about INR 1,557 crores, marking a growth of 30% over INR 1,201 crores in Q3 last year. PAT at INR 1,421 crores, up by 21% from INR 1,171 crores in Q3 last year.

Please note that PAT includes the share of profits of VECV, which for Q3 stood at about INR 183 crores. This strong performance was a result of an all-round growth, both at Royal Enfield and VECV.

Let me begin with the business highlights for Royal Enfield. This quarter was yet another robust one for Royal Enfield, continuing our steady growth journey of the past 6 quarters. The third quarter of this fiscal year saw robust volume growth, strong festive demand and meaningful progress across our products and community-led initiatives.

What made it even more special was the commencement of our 125th year celebration, a milestone that reflects the strength of our legacy while reinforcing our commitment to shaping the future of pure motorcycling. At the core, it's our community that continues to be part and heart of everything that we do. Motoverse this year was bigger and bolder than ever, welcoming a record of 40,000-plus people over the 3 days event.

We also took another step in expanding our cultural footprint beyond the motorcycling community with the second edition of Journeying Across the Himalayas, which grew in scale, depth and impact. Across both domestic and international markets, we saw a very healthy momentum driven by our refreshed products, global showcases and continued engagement with our riders.

This collective effort helped us cross the milestone of 1 million motorcycles year-to-date much before the close of this financial year, a moment that truly belongs to our teams, partners and our riding community across the globe.

Coming to the volumes during this quarter, we sold 3,25,773 motorcycles with a growth of 21% as against 2,69,039 motorcycles in Q3 FY 2025. Out of this, in India, we sold about 3,00,426 motorcycles with a 24% growth from the last year.

We continue to gain market share across the board, particularly in the middle-sized motorcycle segment, where Royal Enfield has been able to continue its dominance at 88.9% exit market share. Domestic sales remained healthy across all 3 months with a double-digit growth, supporting strong year-to-date growth, driven by sustained retail traction.

The festive season was a strong one for Royal Enfield with customer enthusiasm translating into a robust demand across markets. We delivered our best ever festive performance, selling over 2.49 lakh motorcycles during September and October. Our focused strategy, combined with a strong product portfolio, and marketing activations have really helped us deepen our presence in the market in this quarter.

Coming to the international markets, our volumes stood at about 25,347 units versus 27,068 units in Q3 last year. We continue to maintain a strong growth momentum in retail volume across international markets like Brazil, Argentina and Thailand. Product momentum was further strengthened with the launch of the refreshed Hunter 350 and the Scram 440 in Nepal, Bear 650 in Argentina and Guerilla 450 in Brazil to resonate with the young urban riders.

The first Royal Enfield exclusive store opened in Lima, Peru in December 2025. At EICMA this year, Royal Enfield marked an important milestone as we entered our 125th year of pure motorcycling. The showcase reflected our journey and vision, bringing together our heritage with a clear view of the future.

We presented several key motorcycles, including the special edition of Classic 650, the new Bullet 650, the Himalayan 450 Mana Black, Shotgun with Rough Crafts collaboration, a limited edition and the Flying Flea S6 on our electric platform, which together highlight our approach to design, capability and innovation.

The response from the riders and enthusiasts globally has been encouraging and deeply motivating for the team. At Motoverse, we launched the Meteor 350 Sundowner Special Edition, celebrating a global Meteor community that now exceeds half a million riders. Beyond motorcycles, we continue to strengthen our pure motorcycling ecosystem with meaningful cultural collaborations.

This included a unique partnership with Royal Albert Hall in London and a composer, Rushil Ranjan, for the Ballad of the Bullet. The official campaign film marking the launch of the new Royal Enfield Bullet 650. We also expanded our lifestyle and apparel offering with Royal Enfield Vallon, Moto Aviators collaborations in new lifestyle eyewear range, which is a premium add-on for riders who see their glasses as part of their motorcycling kits in everyday life.

We continue to create memorable riding experiences for our community. We concluded the 2025 edition of Motoverse in Goa with, as I mentioned, 40,000-plus riders over the 3 days with builders, artists, musicians and explorers coming together from across the globe in celebration of a pure motorcycling culture.

We also concluded the Season 5 of Continental GT Cup, strengthening our presence in grassroots racing and performance-led motorcycling. The edition grew over 6,000 registrations, marking a sharp increase since last year. And this year, we went to 8 cities to have this Continental GT Cup celebration. Alongside competitive motorsport, rider-led journeys and community rides continued across regions, including Bhutan and Sikkim, reinforcing our belief that shared experiences and camaraderie are the heart of pure motorcycling.

To improve ease of purchase, we announced a partnership with Amazon India, enabling customers in select cities to buy Royal Enfield Motorcycles online through seamless end-to-end digital journey for the 350cc range. This comes after the successful tie-up with Flipkart. We continue to be one of the top automakers across the leading ESG rating. Currently, 93% of our electricity consumed across our facilities is green electricity. We achieved 80% reduction in emissions intensity in our operations, Scope 1 and 2.

Our net water positivity continued to be strong at 4.6 on the Water Balance Index. Through the Royal Enfield social mission, we have recently concluded the second edition of Journeying Across the Himalayas, a week-long multidisciplinary festival focused on celebrating and safeguarding the cultural and the natural heritage of that region, launched the Great Himalayan exploration with UNESCO, reaffirming our long-term commitment to cultural preservations, responsible tourism and community-led engagement.

Now on capex Lastly, as you would have seen in our results, EML Board has just approved a proposal for capacity expansion at Royal Enfield. This will be achieved through a brownfield expansion at Cheyyar manufacturing facility at Tamil Nadu, taking our annual production capacity to 20 lakh units per year from the current 1.4 million to meet the rapidly expanding existing and the projected future demand.

The project is aligned with our consistent growth focus and underscores our commitment to the evolving needs of our global community. For this expansion, we will invest an estimate of almost INR 958 crores over a period of 2 years, reaching the target capacity by FY 27-28. By scaling our existing Cheyyar plant, we are ensuring a faster capacity ramp-up and cost-efficient operations.

Now I will hand over to Mr. Aggarwal to talk you through the updates of the VE Commercial Vehicles. Over to you.

Vinod Aggarwal:

Thank you, Govind. I'm pleased to share that VECV has delivered its best ever third quarter performance, reinforcing our position as a resilient and future-ready CV player. India's macroeconomic environment remained supportive through Q3. Strong government capex in roads and infrastructure, GST and income tax reforms and contained inflation helped improve customer confidence.

With fiscal stability and continued policy support for domestic manufacturing, the commercial vehicle industry saw healthy momentum heading into the second half of the year. Against this backdrop, VECV recorded Q3 volumes of 26,086 units, a 24.2% growth year-on-year, taking our YTD performance to 69,597 units, a growth of 13.2%. This marks our strongest ever quarter 3.

We maintained Number 1 position in LMD trucks with Q3 sales of 12,447 units, which is 28.3% growth year-on-year and market share of 34.5%. The pro plus upgrades and uptime promise continue to drive preference. Our heavy-duty trucks sales grew 14.9%, reaching 6,850 units in Q3, the best ever third quarter supported by infrastructure execution and improved route economics.

Bus sales were at 3,624 units, which were down 3.3% year-on-year on tender timing, underlying market sentiment remains positive for buses as well.

In our parts business, both Eicher and Volvo combined, we recorded a robust growth of INR 810 crores, which is 14.4% year-on-year growth, aided by higher vehicle utilization and deeper service penetration. Exports in Q3 were 2,056 units, which is 72.5% year-on-year growth on better traction in select markets.

During the quarter, we advanced our strategy on portfolio readiness. We complemented our SCV entry with the launch of Eicher Pro X diesel, powered by the new E449X2 engine focused on best-in-class efficiency, comfort and uptime for city near city logistics and key applications in e-commerce, FMCG, cold chain, fresh produce and couriers.

Our network footprint crossed 1,150+ touchpoints with continued East market focus, container support across 14 highways, 13 new service sites in Q3 and 20 operational Pro X setups and whereas letter of intents, we have given for another 21 setups, now servicing 21,500+ vehicles nationwide.

Throughout the quarter, pricing discipline, operating leverage and cost reductions supported margin growth. Coming to VECV financial performance. We continue to improve financial strength with profitable growth. Our revenues for Q3 are INR 7,019 crores against INR 5,801 crores last year. EBITDA margin for Q3 is INR 652 crores as against INR 517 crores last year. EBITDA margin for Q3 9.5% against 9.2% last year. PAT for Q3 INR 338 crores against INR 299 crores last year.

The medium-term CV outlook remains constructive, supported by infrastructure development, stable financing and domestic manufacturing push. With future-ready products, expanding alternative energy portfolio, strengthened service coverage, VECV is well poised for resilient growth. Thank you for being with us on the call today. We can now move to a question-and-answer session.

Moderator: The first question is from the line of Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah: My first question is just around the margin performance. So this appears to be the first time in almost 5 to 6 quarters where we've seen sequential improvement in gross margin and sequential reduction in other expenses. So I just want to understand what drove this?

And also, if you could elaborate a little bit on whether this could be a potential inflection point in your margin journey, given that over the past 5 to 6 quarters. We've built up a critical scale and volume now potentially comfortably above 1 million units per annum and what that means for value engineering and sourcing synergies?

B. Govindarajan: Vidhya?

Vidhya Srinivasan: I think, Chandramouli, I've been kind of consistently talking about the same message from a margin standpoint, okay? In 2022, as you know, on the sidelines of the Hunter launch, we had pivoted to rebalance. And there, we had talked about our focus on growing absolute volumes, absolute margins, and that's essentially what we've delivered. Since then, if I take the 12-quarter period, our volumes have grown by a CAGR of 14%.

Our revenues have grown by 18%, our gross profit by 20% and our EBITDA by 22%, okay? And therefore, consistently, we've kind of looked at growth. And that's what the management is focused on delivering even as we go forward. So I think that is broadly the point that we wanted to leave.

Specifically, if you look at some of the impact, obviously, we've had a great quarter from a volume standpoint. So I think -- I mean, we can get into the details, but I think this is the larger message that I wanted to leave you with.

Chandramouli Muthiah: Got it. Can you specifically comment on what drove the margin improvement at a gross margin level? And then also what drove some of the other expenses control in this quarter?

Vidhya Srinivasan: Yes. I think versus -- if you take other income from a -- I mean, it's literally a bit of timing also, which is coming through because we've had timing of spend in different quarters. So --

but we can get into more detail separately. There is an operating leverage which is also kicking in, right?

And I think some marketing spends; we've had more spend in the second quarter versus third quarter. So some of that is a timing piece. We've also had operating leverage as far as overheads are concerned. So all that is kicking in as far as other expenses are concerned.

B. Govindarajan: So primarily number one is operating leverage, as Vidhya was mentioning and fiscal discipline on the expenses, in fact, even the marketing expenses, we have done ahead planning for this season, which has also helped us in looking at a unit benefit. Model mix has helped. VA/VE has kicked in. So overall, it's been well executed profitability.

Chandramouli Muthiah: Got it. That's helpful. My second question is just on the capacity expansion that was announced. If you could help us understand what part of this would be focused on the 350cc and sub-350cc portfolio, which is where we've seen a meaningful pickup in demand over the past 12 to 18 months. And what part is sort of the 350cc plus portfolio?

And also, I think as you've mentioned that this is going to be capacity expansion over an 8-quarter period. So is it going to be sort of linear through that period? Or do you expect it to be concentrated in certain points during that period?

B. Govindarajan: So Chandramouli, first and foremost is, I think you are right, the 350cc demand has gone up post the GST, thanks to the reduction. And the 450cc and 650cc have slightly come down, but the rate of recovery is better. We are happy about that. So for 450cc and 650cc, there is a capacity which is built, which is good enough because currently, the utilization is slightly lower.

With the debottlenecking and a bit of automations, we can cater to the coming year's growth. And 350cc, obviously, because during the festive time itself compared to last year, we grew almost 50% with the higher base itself. So there is a demand for the 350cc, which is continuing. And back of it, today, we actually presented to the Board about the capex requirement, which is there.

The positive sign is Cheyyar, which is an already existing place for us. So that's why it is a brownfield project. If you recall the last quarter when we were discussing, we also have gone ahead with one module for about INR 100-odd crores, which we have invested to come out with some capacity additional requirement for the Q1 itself.

So that is going to kick in now. And this investment which we are doing in modules will start kicking in, in various stages depending upon the lead time, but it's all mapped to the peak requirement, which is required for the festive season.

And to that extent, all the other periods, the availability will be better. So over the period of time, though we have given almost about 8 quarters' time, it will be slightly ahead, we will build the overall capacity to almost 2 million motorcycles.

Chandramouli Muthiah: Got it. That's helpful. And just lastly, if you could give us some color around the EU trade deal and U.S. trade deal. These have in the past been important markets for the 450cc and the 650cc portfolio. So if you could just give us some color on how you're looking at these trade deals and what that represents for your business plan going forward?

B. Govindarajan: So let's go one by one. The first is about the U.S.A., which you asked. Currently, it's almost about 50% plus there was some speculation of higher taxations and this and that. With the latest trade deal, which has been done, the rate is 18%. However, there is a steel and aluminum tariff, that, there is no clarity as of now. We are waiting for a bit more clarity on that. With that, the weighted average tariff is almost about 41% to 42% currently.

If that goes off, mostly it will go off. That's what we are expecting in the fine print, then it will become an 18% for us, which is a good sign. It will open up the market for us. But the steel tariff, which is there, is common for everybody. So whoever is importing into the U.S. So it's a common denominator for all. As far as EMEA is concerned, currently, we are at almost about 6% duty structure. Once again, clarity is being sought.

Mostly that will also go off. It will help us to be accessible even in the European market. So that way, we are even waiting for the fine prints to be available with us to get the full clarity. We are assuming directionally, as I mentioned, U.S. at 18%, EMEA knocking off 6%. That will be the scenario of the whole.

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

Kapil Singh: Congratulations on a very strong performance. I just wanted your view on the industry growth, especially for the premium industry, how are you thinking for Q4 and next year? And do you expect growth in the more than 350cc portfolio also when you are looking at next year? Or do you need to take some actions there to come with lower engine CC options to drive growth in that segment? So just some thoughts there.

B. Govindarajan: Yes. So in Q4, I'm expecting the growth momentum to continue. Inquiries are better. Conversions are better, bookings are good. So there is a positive trend which is continuing. So Q4 also, we are positive that we will be growing more.

Coming to the next year question, which you are talking about, I think the whole industry is looking at high single digit, that's sort of the growth. And the premium segment will grow. We will continue to outgrow the market. That's our ambition.

And with all the products which are getting lined up and on top of it, this is the 125th year of our brand, and there is going to be a mother brand marketing campaign, which will actually take our brand to a different level. And we also have products lined up for the coming year. So with that, we are very, very optimistic that our growth will continue.

Kapil Singh: On the more than 350cc portfolio, any comments?

- B. Govindarajan:** More than 350cc, I mean, honestly, post the GST, there is a huge drop. Just pre-GST between August 15 to September 22, there is a lot of pre-buy, which has taken place. So the numbers may be slightly skewing. But at pre-buy, post that, there was a huge drop. We have passed on whatever the GST rates, which are there, we just went into the market as it is at about 40%. So the growth was dipping.
- It went as good as almost about 40%, but the rate of recovery of 650 cc started showing a positive sign within about a month's time and 450 cc has started showing the rate of recovery now. So with the Classic 650, which we launched, Bullet 650, which we have launched, now the inquiries for Classic 650 and Bullet 650 is also healthier. So that is also going to grow.
- We just finished the GT Cup racing across about 8 cities, which has really helped us to create a sort of an interest across. We launched the Mana Black in the 450cc on the Himalayan platform. That has also kindled the interest in the product.
- So overall, there is a positivism which I'm seeing in the inquiry level. Conversions are also coming up. That's why I said the rate of recovery is better. Have we come to the same level as the earlier time pre-GST level? No. But are we seeing the traction that we are reaching there? Yes. 650 is faster and 450 is following that.
- Kapil Singh:** Okay. Great. And sir, one question was on the gross margin. Just trying to understand what drove the improvement. If you could give some color on the commodity price movement for 3Q? And what is the outlook you are seeing for 4Q and the same for pricing as well?
- B. Govindarajan:** Do you want to add?
- Vidhya Srinivasan:** Yes. So as far as gross margin is concerned, if I take the period from this quarter versus the previous year same quarter, we've had an increase in costs, overall improvement in GC due to domestic model mix is about 0.6%. We've got 100 basis points on account of increase in cost due to OBD2B norms.
- We've also had a 70 basis points, which is a net impact of commodity inflation, which is offset by around 20 basis points, which is on account of value engineering, etc. So the cost increase largely is driven by the increase in precious metals, which we've had aluminum as well as copper.
- Then we've also had about 40 basis points, which is the impact of model, variant, geography mix, etc. But all of this has been offset by about 140 basis points, which is on account of price increases that we've taken in April as well as July on select models case-by-case basis. Yeah
- B. Govindarajan:** It's as Vidhya was mentioning, there is a price increase which we have taken, in April, one tranche, then in July, one tranche. Then commodity inflation offset to some extent through the pricing increase, model mix, and that's what has actually driven the GC.
- Vidhya Srinivasan:** Yeah.

- Kapil Singh:** Sir, any outlook for next quarter on commodities?
- B. Govindarajan:** Look, to the extent of commodities, it is not cooling off. Equally, I must say it is not also heating up. So it is some weeks, it's neutral, some weeks, it's certainly shooting up. But there will be a bit of a pressure on the commodity for some more time. That's for sure. But we also have a value engineering pipeline, which is kicking in continuously.
- Kapil Singh:** Okay. I assume no pricing changes have happened, right?
- Vidhya Srinivasan:** I think January, we've already taken some select models. So we are slowly looking at our entire portfolio. And obviously, as we've talked about it in the past also, we're not taking aggressive price increases and focus continues to be on growth. But wherever we are finding significant sharp commodity movement, we are taking on a case-to-case basis. So yes, that we have taken a bit in January as well.
- B. Govindarajan:** Price increase, the discussions all as we have been always saying, we are adding value back to the product. And that's why value for money, perceived value for money has to be good for Royal Enfield products. Everybody should desire to own one at an accessible price point. We are very cautious of it. So we will go accordingly at what is right at that point of time in the price increases. But yes, in January also, we took a price increase on select models.
- Kapil Singh:** Ok. Thank you so much and best wishes sir.
- B. Govindarajan:** Thank you.
- Moderator:** The next question is from the line of Gunjan from Bank of America. Please go ahead.
- Gunjan:** Thanks for taking up my question. Just a quick follow-up to just on Kapil's question on the pricing hike. Is it possible for you to quantify what sort of increase we have taken? And also on the value engineering, do you mentioned 20 basis point Y-on-Y improvement that you've seen on that front?
- If you can just give us a little bit more outlook on, how do we think about value engineering? Is there a number that you can put that this is the sort of benefit that can come through with the scale that we are seeing on 350cc platform?
- Vidhya Srinivasan:** Yeah. So as far as January price increase is concerned, I think I would say a blended model price increase of about 0.5%. And as far as value engineering is concerned, as we said, we've talked about 0.2%. It's very difficult to quantify exactly how it's going to pan out in the following quarters because it really depends on what is going to get implemented in each quarter.
- So I won't necessarily be able to guide to that extent. And in terms of what price increases we've taken last year, which is April and July, as I said, we've talked about 140 basis points that you see both across models, yeah.

Gunjan: Got it. And this value engineering, I understand no quantification, but directionally, can you share some qualitative thoughts around what is it? Is it the scale benefits? Is the sourcing benefits that you're seeing from the suppliers? Or is it modular platforms? Some qualitative color will help in terms of directionally thinking that there is more cost levers to play out over the next few quarters?

B. Govindarajan: So yes, Gunjan, one is the scale, which is a straight-line equation. And when the scale comes in, we do get something. The second is we also have identified low-cost country sourcing, different places. In some of the electrical items along with Stark, we are also trying to see which country is better, why it is better. So we are also looking at that.

The third element of the value engineering is as because the platforms, the J platform, K platform, T platform are all very well matured now in all the products with the bullet being the last product for changeover.

Now the value engineering, we can be a bit more aggressive in terms of weight reductions, in terms of optimization and in terms of the precious metal usage in the catalytic converters. All those are different projects which are done. The funnel is very healthy, and it all is under testing.

So value engineering will keep kicking in at different point of time, but we'll be cautious in implementing it because when you're doing a higher volume, we don't want to have anything at the front end having 2 different kind of a vehicle. So we have to be careful about it. So we will time it accordingly, but the value engineering exercise is aggressively on.

Gunjan: Got it. And if I can just ask the last question on this call. There used to be a huge intensity of precious metals after COVID, right? And you all were working to optimize the intensity, reduce where possible. Is it possible to share how much is precious as a percentage of either the total RM or net sales, whatever way you can give us some sense?

B. Govindarajan: We'll probably send it to you, Gunjan. I may not be having it immediately now, but I can tell you one thing is precious metal. We mapped it for next almost 4 quarters, how it will be based on what prebuy which we can do, how much we can do as a hedging away. So all those activities have started because we are expecting that to go slightly higher, but we are protecting so that it is not hitting us as a headwind.

Gunjan: Got it. And just shifting to exports, if you can -- if I look at the last few months of trends, as the base has caught up, we have clearly seen the growth also temper down a bit. Directionally, how should we think about export growth? Now you've of course, pointed out in the past that there is end market weakness in some of the mature markets. But how do we think about growth? I know the FTAs will kick in, but that's still some time away, right? But more from the next 1 year perspective, what sort of growth we should think through for this business?

B. Govindarajan: As I always mentioned, the international market for Royal Enfield has to be seen from country by country. It can't be that one outside India, what is the business. If I have to tell you some of the markets, which are developed markets, let's take the U.S.A. with all the confusion which is

getting sorted out, probably once the tariff is coming to 18%, yes, we will see some growth, which is happening.

The product like Bear 650, Super Meteor 650, and now the new products which are lined up and the Himalayan, it has a very good reception in the United States as a whole because everybody are looking at only for these sort of motorcycles, which are very accessible at a sweet price point at the best quality. So the Royal Enfield cap is there. So there is a possibility for us to grow in that market once the market stabilizes.

Let's talk about Europe and the U.K. and especially, I must tell you, it's internally, we call it a market adjustment year. Probably I will call it as a calibration year. Fundamentally because OBD2B, the entire vehicles which were available, which I also cast in the last meeting also our last call, is that there will be huge pre-buy and pre-registrations, which will be there, which will all be available at the discounting, which we haven't done.

But we are competing in a market which has a very huge discount because of the pre-registration vehicles. That's why I'm saying it's a year of calibration. We are consciously looking at how do we grow in that market. Italy is doing well for us. So there is a focus on Hunter hoods and all those things in Italy.

And as far as the other markets are about, LATAM, Argentina and Colombia, the growth is continuing. Brazil is a North Star. In fact, at Brazil, our Guerilla got the Motorcycle of the Year, Himalayan won the Trial Bike of the Year. And we are Number 2 position in the middle weight as of now.

So we have been consistently growing. And I do see that's one such market, which is going to really, really garner volume for us. We are going to have our own CKD with the crew assemblers, which we are doing, now we are consolidating. We will have our own CKD facility there soon. So Brazil is one such big market, and we are investing heavily in that market. APAC, it is so, so because Thailand last year, which had its own issues. Now we are seeing some amount of growth, which is there.

SAARC is another own area. The terrain is very good. That's why first, the basics have to be set right in that area, especially Bangladesh and Nepal. We have signed up with the distributors. We have identified the dealer locations, spare parts, CKD facilities. All those things are done, dusted and now the team is in place, but we are cautiously moving in our marketing campaign depending upon the political situations and the unrest which are taking place. We don't want to be overtly there. So we will go cautious about those areas, but that's another market.

So in the international market, as I have been always maintaining, we are cautiously optimistic. Market by market, there will be a growth, but we have to continue to be focusing on the brand building, which we will use the overarching 125th year celebration. So we are going into some markets like Brazil. We are going to be there in Sao Paulo and Rio.

There, we will do the market activations with maybe Hunter, Himalayan. And that's how we feel that we can be in the market and grow the market. So maybe in the coming year, as I mentioned, calibration and grow. That's what is for the international market.

Gunjan: Got it . This is really helpful. Thank you so much and best wishes.

B. Govindarajan: Thank you Gunjan

Moderator: The next question is from the line of Amyn Pirani from JPMorgan. Please go ahead.

Amyn Pirani: Hi, Good evening and Thanks for the opportunity. Most of the questions have been answered. So just a few clarifications on the capacity expansion plan. So first of all, the 1.45 million capacity that you have mentioned, which is currently, is it the capacity like which has just been reached right now? Or this is something that we always had because we are going to do some debottlenecking at the existing lines?

B. Govindarajan: So Amyn, just a clarity, 1.2 million is a declared capacity, if you all know. We have been saying 1.2 million. And about INR100 crores, which was actually cleared by the Board about 2 months back, which we said was the first quarter, which will start kicking in. So that will be another about 1 to 1.5 months' time. That's where the build capacity goes to almost 14.5 lakh -- sorry, 1.45 million. But we are seeing the growth momentum continuing. That's why we are not waiting for the actual SBP cycle and all.

Today, in the Board, we presented about the capex requirement for further taking it to 2 million. So we are kickstarting that starting today. The board has cleared the investment of about INR958 crores. We have planned all those things for the expansion. So that's going to be a brownfield, but it will be in module, which is required for every month growth at what point of time, what is the bottleneck, and that has to be focused and brought in.

So we have a principal clearance for about another taking it to 2 million motorcycles. It will all start this activity. That's why we said in 8 quarters, it will keep coming in because it's not going to come in 1 quarter. That's also not required. So it has to come in over the period of time, especially for the festive peak seasons and all. So that will start kicking in quarter-by-quarter.

Amyn Pirani: Okay. Okay. And basically, the whole 2 million capacity will be available to us in the beginning of fiscal year '29. Is that the correct understanding?

B. Govindarajan: Yeah. Your take, yes, Amyn.

Amyn Pirani: Yeah. Yeah. Okay. And just as we go from 1.45 million to 2 million, I just want to get your sense as to, do you have any broad targets or plan as to how much of that could be domestic or exports? And the reason I'm asking that question is that for you as well as for a lot of your peers from India.

It appears that a lot of the export growth will also happen through investments that one will have to do in all of these markets, like some CKDs in some markets, some other facilities in

some other markets. So just wanted to get a sense as to do we see the export share based on this capacity expansion also going higher over the next 3, 4 years?

B. Govindarajan:

First and foremost, Aryn, the CKD has to go from India. So the base capacity has to be generated in India because the amount of work content which we will be doing outside India, it will make no sense because the cost will be higher. So it has to go from India, that's how the cost advantage, which is there.

So the fundamental base capacity, which is required to take it to 2 million, majority will be in India only and in Cheyyar because that is where the brownfield opportunity is there for us. So we have to go faster for implementation, we will be doing it.

As far as the CKD investments are concerned, most of the markets, as I've been saying in the last 2 years, we are setting the base ready for the future to - once the market opens, we will ride on it. One is about Brazil. We have 2 assemblers, but we are consolidating and making it a bigger one. So that is already baked in those expenses. It's a cash flow for this year.

And APAC in Thailand, we have. Argentina, we have, Colombia, we have. Bangladesh, we have, Nepal, we have. And we are also looking at Mexico and all if it is required. So in all those areas, the playbook from us is fully, fully ready. But to answer you in one line, the base capacity enhancement has to take place at Chennai, India because that is what is going to feed this plant.

Aryn Pirani:

That's helpful sir. Thank you. I will come back in the queue.

B. Govindarajan:

Thank you.

Moderator:

The next question is from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar:

Yes. Thanks a lot. My first question is on the current daily production -- your vendors supply. Understand how the next few months will plan out...

Moderator:

Sorry to interrupt Mr. Kumar. We are unable to hear you. Your voice is muffled.

Pramod Kumar:

Can you hear me now? Is it better?

Moderator:

Yes, please go ahead.

Pramod Kumar:

Yes. So my first question is to Govind, on the current production capacity because what we understand is demand is way higher than what you can supply, and there have been some holidays and all that last few months. But where are we on the daily production capacity run rate? And how do you look at February, March production run rate, especially given the very low dealer inventory? And any thoughts around working the weekends or something like that to kind of improve the supply to the market?

B. Govindarajan:

Thanks, Pramod. Yes, the plant is running almost 24/7 now, and it's in full capacity. All the plants, we are looking at wherever there is a possibility, if there is any leave or something like

that, can we work on it with a special permission. Everything is being looked at because the demands are good. It's a better situation, and we have been growing. So to that extent, our team is also fully geared up.

As far as the vendors which are coming, we have identified all the debottlenecked areas which are required to ramp up in the vendor and investments. We are having pocket discussions with all the vendors. And from 2 million capacity, when do they kick in and we have given a clarity to talk to their Board. In fact, today, we shot a mail to them to start talking about.

And we have given a cadence of when you have to ramp up and all those capacities, it all will get aligned. If I have to tell you on a daily level, I think it's -- if I have to tell you, I'm sure you guys are seeing it, it's last month, we have done almost about 110,000 motorcycles. So that is divided by the number of working days, Pramod, yeah.

Pramod Kumar: Given Pongal holidays, how many working days did you have in January?

B. Govindarajan: No, that's gone now, February and March. We don't have much of holidays, except the annual inventory which we have to do. So to that extent we will -- and if I had to tell you, we are delivering almost about 4,300 to 4,400 vehicles per day.

Pramod Kumar: Okay, 4,300 to 4,400. Okay. And Govind, any change in the demand context because like we had an issue with demand or accessibility. With post GST, what are the kind of -- I don't know if you answered this question, forgive me if you already discussed this. But what is the change in the kind of walk-ins and the quality of customers or the customer profile, which has changed at what you're seeing at the dealership?

And anything to call out on rural versus urban? Are you seeing higher uptick in any one of the segments? Or what if you can just provide some qualitative flavor on the kind of demand you're seeing? And because you're going ahead for a big expansion. So I'm just trying to understand what gives you that confidence that just based on the GST cut, whether this sustains? I'm just trying to get some confidence on the demand read here.

B. Govindarajan: Yes. So Pramod, currently, the demand is holding up. There's a good inquiry. I always mentioned the funnel is from the website search. The search is very good. It does mean the interest in Royal Enfield at the overall level is very good. That's a starting point for that. Now when we come back into this, where is the interest showing? Is it in urban market or in the rural market or in the semi-urban market during this window, which we have seen.

And you all know, including the FMCG, urban areas were not growing. But now we are seeing even the urban markets are growing. Urban markets are growing, could be -- we are not able to attribute exactly to that, but probably the income tax cut, which has come in, there is a positive sentiment which is therein spend.

So to that extent, I'm seeing the urban market is also growing. Rural and semi-urbans are really, really growing. So when there is a growth, then the next cut which we are talking about is which product is actually showing a lot of traction. Post GST, if I have to give you some

color, all our 350cc models are equally growing, including Classic. The age profile because of the accessibility, which has become better post the GST is for the Hunter.

So the Hunter age profile has actually dropped further. It has come to almost 40% of the buyers who are buying Hunter. As of now, they are at an age group of almost 23 to 24. So that has drastically come down, which used to be only almost about 34%, 35%. There's a huge jump, 5, 6 percentage jump, which I'm seeing in the Hunter. So as in Classic, walk-ins are increasing. And that's why I said when the interest is better, walk-ins are increasing, all the products are actually having the traction.

Bullet 350, last year's phenomenon had been -- earlier to that when we launched, it was only in the Bastian market. Last year, we went in for pan-India. Now pan-India, where the Bullet was not really accepted, also the markets where the Bullets are having a very high traction now.

So our Hunter is growing, Bullet is growing, Classic is growing. Now we have come here with the Meteor, on the 350cc even with the Sundowner. So the Meteor is actually growing because we completely did a refresh of the Meteor.

It was showing a dip once again with the GST and with the new colorways, it is actually going up in this. As I mentioned, more than 350cc, there was a sharp decline post the GST tax increase. But as I mentioned, the rate of recovery of that is better. 650 has shown the recovery much higher than the 450. 450cc, it is showing a recovery, but it is slightly slower.

For that market, we have to do activation a bit more. So we are starting with what is called the Gymkhana for the 450cc, where we are doing rider training so that you can be a better training -- trained riding personality and use the motorcycle to see how best the motorcycle is.

We launched Mana Black, which is also showing Himalayan is having some traction in this. The Hunter Hood as a function, which we have been doing now across small towns. Last year, we did only 3. In the coming year, we'll be seeing it in more places where inquiries are better, and young audiences are looking for something to celebrate.

So we are taking the street culture onto a platform called Hunter Hood. So with all the activities, plus the 125th year, as the mother brand campaign, which we are going to do, that is what is actually giving us the confidence that, yes, the growth is continuing and the momentum will continue.

Inquiries are better. Our dealer principals discussions which we had, all of them are very upbeat about the overall market. The middle size market itself is also growing. That's a good thing. I mean if I have to talk about 2 years back, we discussed, will the middle weight be grown. At some point of time, we also said it rested on the leaders who have been having the highest market share.

But now I'm seeing the overall middleweight segment is growing. That's a good sign. Thereby, with the overall volume going up, there is a space for us to grow with all the activities which we are doing. That's the confidence. And with that background only, we requested the Board

for the clearance of the capex, which the Board has consented to go ahead with that investment. And that's what we are going ahead with for fulfilment, Pramod.

Pramod Kumar: Thanks a lot Govind. That's very very helpful and best of luck.

B. Govindarajan: Thank you.

Moderator: The next question is from the line of Pramod Amthe from InCred Capital. Please go ahead

Pramod Amthe: Hi, thanks for taking my question. The first question with regard to the capex amount and the way you are calling it brownfield. You already announced a 20% rise in the capacity to 1.8 to 1.4. Now we are talking about 1.4 million to almost 2 million?

B. Govindarajan: Sorry. Excuse me, Pramod, your audio is not clear to us, please.

Pramod Amthe: Can you hear me now?

B. Govindarajan: Slightly better. Go ahead, please.

Pramod Amthe: I was saying when you're calling it brownfield, it's the capacity is moving up almost like 60%, 70% if I have to take it from 1.2 million to 2 million. And the extent of capex is also much; much leaner as compared to a gross block. What are you doing differently as compared to a typical manufacturing setup to expand the capacity to get such efficiency in capex spending?

B. Govindarajan: Two things. I think one has to be looking at, with the cafe norms coming in, how efficient and how fungible it is. So any of the investments which we are doing, we have to have that fungibility in mind. Second is that more and more automations have to come in, in these areas, which will actually help us to get the cost advantages also because you can't be looking at the labor arbitrage always.

So we have to be looking at an IoT base, which -- that's what is the focus. Whatever the learning which we had from our existing plants like Orgadam and Vallam because we are all in one place and the team is the same. So we have funneled out what improvements we can do at the manufacturing facility.

Thereby, we will give a differentiated product, flexibility, which has to be built in. And it has to also be there tomorrow, when the 450 goes up, what does it mean? How do we get the fungibility into this? Those are all the contours with which we are building this newer capacity.

Pramod Amthe: And the follow-up -- yes, sorry go ahead.

B. Govindarajan: Go ahead, please. Go ahead.

Pramod Amthe: And also in terms of product profile, you feel the existing CC range will fulfill this such a large expansion or you would be looking at downsizing? Or how would you be looking at the product profile to fill this entire 2 million?

- B. Govindarajan:** Our focus has always been the middleweight 250cc to 750cc. Currently, we are at about 350cc, 450cc and 650cc. You will see the adjacencies which are there, but the demand as of now is 350cc. So here and now, the task in hand is how do I fulfill that demand and the capacity built has to go around that immediately. But there are enough projects which are going on.
- Pramod Amthe:** Sure. And the last question is with regard to VECV. What is -- considering that the recovery this time seems to be driven by ICV, where I think Eicher has a very dominant market share position. How are you positioned in terms of capacity? And what is the plan for capacity buildup there? And second, in terms of do you need to launch new products there to maintain the leadership because some of the competitors are trying to enter this segment or increase the competitive intensity?
- Vinod Aggarwal:** As far as the capacity is concerned, we have now 2 truck plants. One is in Pithampur and the other is in Bhopal. So for the current volumes, we are very well industrialized. So there is no concern as far as the capacity is concerned for the current year. But of course, next year, if the industry continues to grow.
- Then of course, we might have to increase the capacity in Bhopal and for which we are thinking over it. And -- but that will not be a very major capex so we will take steps next year. If at peak level, some monthly requirement is high, then we will take those steps next year.
- Pramod Amthe:** Sir, you might be working at 85%, 90% utilization now?
- Vinod Aggarwal:** Yes. Currently, we are producing 10,000 vehicles per month, 10,000 plus. So we are almost at 80%, 90%.
- Moderator:** The next question is from the line of Yash Agarwal from Nirmal Bang Securities Private Limited.
- Yash Agarwal:** My question is for the VECV bus segment. As we have seen, bus volumes have moderated in Q3 and also for year-to-date FY '26, accompanied by 110 bps decline in market share. So could you elaborate on key factors contributing to the slowdown and steps to stabilize and regain market share?
- Vinod Aggarwal:** First of all, as far as the bus industry is concerned, this year, the growth has not been that high as we had experienced in the previous years because the base was very high. So therefore, the growth rates have been moderate. And the second, the reason for our lower numbers is also due to some lower orders from institutional sales.
- Last year, we had very large institutional sale orders from UPSRTC. This year, of course, we still don't have very large orders, whereas the competition has got larger orders. So therefore, our overall numbers are down a little bit.
- Yash Agarwal:** And my second question is on export, which has been very strong this year. So could you share insights on key geographies driving this growth? And what will be the export momentum expected for Q4 and beyond?

- Vinod Aggarwal:** We are right now having very good traction in the Middle East. We are now exporting almost 100-plus vehicles there every month, largely buses and LHD trucks. Then, of course, the numbers are also better for us in Bangladesh and Nepal. Sri Lanka market also has opened up again. But there, of course, still the numbers are very small.
- And of course, the numbers in African markets are also respectable. So therefore, all this has contributed to our high growth in export numbers. And going forward, Q4 also is likely to be better as far as exports are concerned.
- Yash Agarwal:** Okay. And my last question is for the Enfield Electric portfolio. Could you share more color on the launch roadmap target customer segment and how these products fit in Royal Enfield product portfolio like Flying Flea and others?
- B. Govindarajan:** So Flying Flea is our endorsed brand of Royal Enfield for the city, city plus electric mobility. We have 2 products, which we unveiled, one is called C6, which is a Classic style one, another one is an S6, which is a Scrambler version. C6 is almost ready for production. You will see it in the market soon, but we will be doing a cautious approach of not going around and then saying here is a product.
- We'll build because a category has to be built, and we will build it slowly and steadily. That you will see it in the next quarter time window. And S6 will come during the course of the year around the EICMA time. That's the tentative plan as of now.
- Moderator:** Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to the management for closing comments.
- B. Govindarajan:** Well, thank you very much to everyone for attending this conference call, and see you all soon.
- Moderator:** Thank you very much. On behalf of HDFC Securities Limited, that concludes this conference. Thank you all for joining us today. And you may now disconnect your lines.