



“Eicher Motors Limited
Q3 FY24 Earnings Conference Call”

February 13, 2024



MANAGEMENT: MR. SIDDHARTHA LAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – EICHER MOTORS LIMITED
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Basudeb Banerjee:

Welcome to post Q3 FY24 results Conference Call of Eicher Motors Limited. Thanks to the management for giving us the opportunity to host the call. Top management is represented by Mr. Siddhartha Lal, MD and CEO of Eicher Motors; Mr. Vinod Aggarwal, MD and CEO of Volvo Eicher Commercial Vehicles; Mr. B. Govindarajan, CEO of Royal Enfield; and Ms. Vidhya Srinivasan, Chief Financial Officer, Eicher Motors Limited. So, without wasting any time, I'd like to hand over the call to Mr. Lal, to take over. Thanks.

Siddhartha Lal:

Thank you, Basudeb. Thank you for hosting this call for us. And hello, everyone, and welcome to the Q3 earnings call for Eicher Motors Limited for year 2023-'24. I hope you are well. 2023 has been a very solid year for us overall, and we've grown from strength to strength. Each quarter has been a milestone in terms of our business and our financial performance, and we've seen strong growth, both at Royal Enfield and at VECV. We've had some spectacular new and category-defining launches across both companies, and we have deepened our commitment to consumers and stakeholders in this time.

Beginning with Royal Enfield, we've had excellent last few months with two extremely special launches of two new motorcycles. And then, of course, the annual celebration that we do of all things motorcycling, which is Motoverse that we do in Goa in November every year.

We launched the all-New Himalayan 450 first and foremost, which is on the all new Sherpa 450 engine. This was done in Goa at Motoverse. The New Himalayan has set absolutely new benchmarks in the world of adventure touring across all markets. The reception from consumers, experts has been absolutely amazing, and we've won the extremely prestigious Indian Motorcycle of the Year Award for 2024, which is our fourth IMOTY win in the last six years. And we won it in 2023 for Hunter, 2024 for Himalayan. So, it's a consecutive win as well. But it's the fourth out of six and really, it's a testament to the strength of the new products that we're coming out with in the last many years.

After that, we also launched a stunning new Shotgun 650, which is a custom-inspired motorcycle. Govind will talk to you more about this. But this is really our attempt to build newer formats of motorcycling expression and introduce new niche categories within premium motorcycles. We also had interesting showcase of our collaboration with the Himalayan communities, with the Himalayan Knot, which is a tribute to the craft, culture, heritage of the Himalayas.

We had artisanal communities, renowned designers, artists and our rider community, all come together, driven by the passion for cultural exploration and the love for Himalayas, which is the main focus of our social mission at Royal Enfield, the Himalayas.

Moving on to VE Commercial Vehicles now, which is our joint venture with Volvo. We had an extremely strong quarter with market share gains across the board and across business segments. We just recently concluded our exciting participation in Bharat Mobility 2024, where we showcase a wide range of alternative engine products, including electric buses and trucks. But the highlights that Vinod had presented was the global unveiling of our electric-first small commercial vehicle platform of 2-3.5 tons. Deliveries of these new small commercial vehicles will start in Q1 of CY'25, so around a year from now.

Overall, the performance at Eicher Motors Limited has been absolutely outstanding this year, and we've registered record-breaking performances of best ever Revenue, EBITDA, and PAT. So, coming to financials, we're talking about our consolidated financials for Eicher Motors Limited that does not include the revenue from VECV, that's supported separately. But we've had our seventh consecutive quarter, marking highest ever revenue for EML at ₹4,179 crores. So that's basically all Royal Enfield revenue, VECV is reported separately. So, this is up 12.3% from last year. Our EBITDA, it's our fifth consecutive quarter, marking our highest ever total EBITDA number for EML at ₹1,090 crores, up 27.2% from last year. And profit after tax for EML consolidated stood at ₹996 crores, up 34.4% from last year. So that's our outstanding financials for this quarter.



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And now I hand over to B. Govindarajan, the CEO of Royal Enfield, who will take us through the business highlights for Royal Enfield.

B. Govindarajan:

Thank you, Siddharth. Hi, everyone. Let me now walk you through about the Royal Enfield performance in Q3. We have continued the strong growth momentum with an exceptional performance in the third quarter. We sold 229,214 motorcycles in this quarter. It's up by about 4% YoY from Q3 FY23. In India, we sold 213,385 units, that's 2.13 lakh units, it's up by 2% sequentially in Q2. The Premium segment is growing at a healthy pace and now contributes to about 24% of the overall motorcycles. We had a very strong retail growth of about 13% in the sales of our motorcycles during the festive period in India. Q3 has seen the highest ever domestic retail for Royal Enfield so far.

In the international markets, we shipped around 15,829 units in Q3 FY24, which is actually 11% lower than last year. However, in the retails we have seen a middle single digit growth on a YoY basis in the international market for the first nine months of FY24. We have maintained our market share in our key markets. RE is a leading middleweight brand in the U.K. and among the Top 3 in Europe with about 8%-9% market share across the countries in that region. In Americas, we have around 8% market share. And in APAC, almost about 9% market share in the middleweight segment. In the markets which are not growing, we have been holding the market shares very steadily.

As Siddhartha was mentioning, the new launches, the all-new Himalayan 450, which we launched in November 2023 at Himalayas and Motoverse. The motorcycle is a perfect balance between the capability and usability and a superb adventure tourer. It features our newest engine platform, the Sherpa 450, which is Royal Enfield's first liquid-cooled engine and a host of new features, including the Tripper Dash which is a full navigation, and the consumer response has been very, very encouraging. And we will be launching the motorcycles in EU also in a few months now. During this quarter, we also have launched the Shotgun 650, the custom-inspired Roadster motorcycle on our globally awarded 650cc platform. We started with an exclusive drop of 25 motorcycles at Motoverse, followed by a global showcase at Los Angeles, California. We have launched the motorcycle in EU and U.K. in the month of January, and we'll be starting the retails in India also now. The initial response from the consumers has been very good. And we are confident that this motorcycle will be a perfect canvas for customizers who are looking for a motorcycle that reflects their personality and for all the consumers.

In this quarter, one of the important milestones, we also launched the Wingman with our Super Meteor 650, a connected vehicle device that enables a rider with a critical vehicle information. That's a starting point in our connected motorcycles. In an effort to bring more value-added services for our consumers. We launched the industry first assured Buyback and REOWN, which is actually, earlier it used to be the reused motorcycles, which is now presented as REOWN programme. The assured Buyback programme caters the shifting consumer needs from ownership to usership and REOWN is an industry-first omnichannel preowned motorcycle programme.

During this quarter, we also have done substantial work in our sustainability journey. We are truly delighted to update you all that we have received the Platinum rating from CII, Indian Green Building Council, IGBC for our global headquarters at Chennai. This is a testament to our consistent effort in driving the innovation for sustained exploration. Also, our Oragadam plant has been awarded as a Future Ready Factory of the Year 2023 by Frost & Sullivan IMEA award. This reflects our ongoing commitment towards achieving manufacturing excellence. We also commenced the usage of compressed biogas in operations at our Vallam plant in our efforts to reduce our footprints. Eicher Motors continues to feature among the leading automakers in global corporate sustainability rating, in S&P and DJSI assessment for 2023, Eicher Motors continued to be in the top 15 percentile in the global autos. We also maintained our position at number 7 out of 86 in the Global Autos in the Sustainalytics ESG Rating.



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With successful recent launches and a new platform, we are well on our way to ride ahead on our strategic goals. With several launches and initiatives which are lined up, we are well prepared to our growth journey in India and the global market. I now hand over to Vinod Aggarwal to take you through the VECV performance. Over to you, Vinod.

Vinod Aggarwal:

Thank you, Govind, and good afternoon, everyone. As Siddhartha mentioned, we recently announced Eicher's foray into small commercial vehicles at the Bharat Mobility Global Expo in New Delhi. While we will cover this more fully in our Q4 update, we are excited about the new range which span the GVW of 2-3.5 ton and addresses a market segment of over 300,000 units per annum. This segment will continue to grow with urbanisation, growth of e-commerce and last-mile delivery.

Coming back to Q3 FY24. I am particularly happy to note that it was a record quarter for the VE Commercial Vehicles with market share gains across the business segments. We recorded our highest ever Q3 sales of 20,706 units, and YTD sales reached 59,828 units, marking a 12.4% increase from the previous year sales of 53,247 units. During the quarter, we also began deliveries of India's first electric 5.5-ton GVW truck, the first Eicher Pro 2055 electric vehicle and continued delivering electric buses to customers across the country. Some further highlights are heavy-duty trucks, combining Volvo and Eicher achieved their best-ever Q3 FY24 sales with 6,210 units as against last year in Q3 FY23 of 5,241 units with a market share of 9.6%. Light and medium-duty trucks also hit a Q3 FY24 record with 9,800 units as against 9,239 units in Q3 FY23, capturing 34.5% market share.

The bus division reported its highest Q3 sales ever with 3,409 units compared to 2,376 units in Q3 FY23. The parts business for both Eicher and Volvo reached an all-time high quarterly sale of ₹5,060 crores, growing by over 22.3% from Q3 FY23. VE Power trains saw its best Q3 sales with 13,596 units, an increase of over 8% from Q3FY23. We also inaugurated the International Parts Distribution Centre and branch office at Dubai, UAE, marking it mid-band customers in the Middle East market. VECV broadened its HP segment footprint by launching the heavy-duty Non-Stop Series Pro 6000 featuring four products: MAV Pro 6048XP, TT Pro 6055XP, 6055/1, and Tipper Pro 6019 XPT.

Now coming to financials for VE Commercial Vehicles. VECV revenues rose to ₹5,483 crores, up 19% from ₹4,604 crores in Q3 FY23. With this our YTD revenues this year, first nine months are ₹15,592 crores from ₹12,752 crores last year first nine months with a growth of 22.2%. EBITDA for the quarter is ₹437 crores, up 44% from ₹304 crores in Q3 FY23 and EBITDA margin is 8% as against 6.6% in Q3 FY23. Profit after tax is ₹210 crores, up from ₹117 crores in Q3 FY23. Now, I hand over back to Siddhartha for any last comments.

Siddhartha Lal:

I was just looking at the revenue of nearly ₹5,500 crores Vinod, that's outstanding. I think we have a healthy internal competition between RE and VECV for revenues. So, this time, VECV has really taken off on the revenue side, but now VECV need to catch up on the profit side. So yeah, I think it's ₹5,500 crores, that's a huge quarterly revenue. Excellent. And the profit margins are all coming up now strongly. So, it's been an excellent first three quarters, and we're really confident of closing the year well at EML this year. Our thrust on keeping sharp on our priorities and objectives and working very hard towards our goals and being very sharp, strong, and ensuring that we leave no stone unturned, while getting to our goals that we've set out for ourselves. And I'm very confident with this extremely focused approach that we have at EML. We'll continue to build on our strong growth momentum and our strong base that we have and extremely strong brands that we hold in both the business.

Thank you very much, once again, for listening to us and for joining us for EML's earnings call. We'll now move on to Q&A. Thank you.

Basudeb Banerjee:

Thanks. And let's start the Q&A session. We have the first question coming from Kapil Singh. Kapil, please unmute yourself and ask.



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- Kapil Singh:** Hi, good afternoon. First of all, congratulations for the wonderful launches that we have seen. If you could talk about the launch plan going ahead, we have been talking about one new launch every quarter. So, is that kind of pace still expected to continue over the next two years? And within your portfolio, where do you see higher growth coming through. Do you expect the premium segment will gain share over the next two years within your portfolio?
- B. Govindarajan:** So, Kapil, in last quarter, we launched the 450cc Sherpa platform, new Himalayan with all the new things in the motorcycle. First of its kind, for us a liquid-cooled engine platform for Royal Enfield. Ride by wire, Tripper-Dash, all those things are new. When we launched, it's an outstanding response and the booking has been very good. We are quite happy about it. I'm sure you'll be looking at what's the percentage and numbers, I'm not going to talk about that. But it's a very happy situation to be in. On the 650 platform, we also launched the Shotgun. We just launched in USA, which is also very good. The response is very nice. It is actually inspired by custom, for custom Shotgun, which is also motorcycle, we always wanted to bring it to the world, and which is accepted very well. Very recently, we launched it in California. All these new motorcycles, which are launched, they are really picking up. There's a good response, acceptance is very good.
- Hunter, which we launched has been doing very well. So, with the back of our new products, our growth is continuing. Bookings are very nice. You will see a line-up of new products, which will get launched one after the other. We will time it. We will give time for the products which are launched to stabilise also to some extent and get accepted within the market, and we will keep launching. Our line-up is intact, and we are bullish about it.
- Siddhartha Lal:** Just to add, we have an absolute, we've had a great year of launches and we have lots of new launches coming up. But I think the most important thing now with the bulk of really important products already in the market for Royal Enfield, of course, we have other very exciting ones coming is to focus on the existing products really now and how to keep improving those and getting more out of those. So, there's a huge effort on that in the coming financial year as well.
- Kapil Singh:** Thanks Sid, that actually leads me to my second question. Retail sales have been a little bit soft for the industry. If I see even for Royal Enfield Q3 and last one or two months. So, what is your reading of this, what is causing this softness? Any factors here? And what are the steps that you are taking to drive growth from these levels?
- B. Govindarajan:** Are you saying the retails are soft? Is that what you're asking?
- Kapil Singh:** Yes. Because if you see, I mean, as per the retail data, I mean, last year, third quarter was also about 200,000 kinds of numbers, right? And in January and Feb run rates also seem to be a little bit slower. Whereas if you see the industry, we've seen much stronger growth rates in the recent times. So, when we met last time, you said festive season, the growth rate was about 13-14%. So just wanted some context from your side as to how you are seeing things.
- B. Govindarajan:** All our new launches have seen an outstanding response. The booking has been very good. Actually, in Q3, we have seen a healthy growth even in the retail for us. The market expansion, the premium motorcycle with the new entrants, a lot of focus on the middleweight, which is happening, which is actually helping us also. Our product propositions are very good. Customers are very happy about it. We normally look at it on MoM basis. We don't want to build the inventory, to that extent, we'll be looking at 2024 new models, which we are doing. We actually brought in new colour ways into the Hunter. So that's how we always look at it that the channel is not strained. Otherwise, we are pretty happy with the retail situation in this quarter. Also, during this quarter, the products which are launched, especially Himalayan and the Shotgun, both the bookings have been very good.
- Kapil Singh:** Understood. So, we'll be benefiting from the supply of these, I guess, in the coming quarter. Thanks. That's all from my side.



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- Basudeb Banerjee:** Thanks, Kapil. Next, we have question from Pramod Kumar. Pramod, please unmute yourself.
- Pramod Kumar:** Hi. Thanks a lot for the opportunity. My first question is actually to Vinod Sir. We have seen that Volvo Eicher has not been participating in any e-buses orders, tenders as such, though between you and Volvo, I think you have all the global expertise on electric buses. So, if you can just help us understand what's kind of holding us back in terms of participating in these government orders, especially the SGO orders?
- Vinod Aggarwal:** No, we are participating. Last tender, we have filed our bit there. And of course, till now, I think there were problem with respect to the payment security mechanism, and that has been resolved now, and we have participated in the tender. Now that still the results have to come. But we have participated.
- Pramod Kumar:** And how do you see the profitability and the viability of this segment because you've got like a couple of new entrants who are traditionally not OEMs as such. And there's very aggressive bidding which has happened and some of the players are kind of revising the strategy as well on the bidding process. So how do you see the profitability evolving, because this is going to be a big push from the government, electrification, especially the intracity bus market. So, what could be the longer-term implication for the industry in terms of both exposing your balance sheet and the profitability of the business itself compared to the ICE portfolio?
- Vinod Aggarwal:** No, irrespective of push from anywhere, government or anywhere else. The profitability has to be there. We don't believe in participating just for the sake of getting the numbers. So, if there is reasonable profitability only then we participate. So therefore, we will not compromise on the basic minimum profitability. So, if we get the order at that rate, that's fine, because we will not get into losses just to participate. That's why last time also we didn't participate, when the payment security mechanism was not there, we didn't participate, because we don't want to take exposure on STUs for 12 years if we don't have the clear guarantee on the payment.
- Pramod Kumar:** So, the payment tenure is almost 12 years for these assets?
- Vinod Aggarwal:** 12 years, yes.
- Pramod Kumar:** And you also need to take a call on the residual value of the asset and that technology disruption, all of that, right, when you kind of make those bids.
- Vinod Aggarwal:** In 12 years, the asset will pay for itself. So therefore, the assets remain our property. It's on lease to the STUs after 12 years. If you get anything, that will be extra.
- Pramod Kumar:** Sounds good. Second question is on Royal Enfield side. Siddhartha and Govind, both of you can help us out here. We just launched the Himalayan 450; our expectation is that that engine will also spawn a lot of new motorcycles which will be more on-road segment. So how should one look at the potential customer base here? Will it be the potential Classic 350 customers who we will be kind of targeting or who will it appeal more to? Can it also result in somewhat of an upgrade ladder kicking in with your existing Royal Enfield 350cc customers, which is a pretty large installed base in the market. Can this bike or the new launches come across as an upgrade ladder for them because we're not seeing that play out with the new J-Series launch of the Classic 350 a couple three years back. So is the 450, how is the thinking at your end? When you look at this product and what it can do to the replacement cycle or the upgrade cycle within the Royal Enfield family?
- Siddhartha Lal:** Yes Pramod, absolutely. I think it's extremely well said. We've been working on this Sherpa platform for many years. And of course, like you said, the first motorcycle is Himalayan, and we will have others over time. It's difficult to say exactly because we have many different segments that this will touch. Firstly, there's the international markets where higher performance segment is more interesting. So, this is very much geared up for a lot of our international markets, where the speeds are also higher in those markets, the running highway



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speeds of 120-130 kilometres in which the J-Series is not then, therefore a proper highway motorcycle. And so therefore, the Sherpa comes in.

In India, of course, there's no question at all in our minds. We have over 6 million active 350cc customers that we use UCE and now J-Series. So, this is very much catering to their upgrade cycle. Of course, we also expect that do have quite a few first-time customers. We do expect a lot more people to come from the older Himalayan into the new Himalayan, but even the bulk of Classic and Bullet customers that we've had in the last six-eight years this is very much geared for the future motorcycles. The Himalayan and the future motorcycles are very much geared for upgradation cycle for those customers, as is our Twins. So, it depends what kind of experience you want. If you want, let's say, slightly lighter, sportier style then you've got the Sherpa platform, if you want a bigger, more full style with extreme refinement, you got the Twins as well. So, we're certainly going to cater to our UCE upgraders as it were.

B. Govindarajan:

So, Pramod, just to add on, Pramod just to give a clarity. What Siddhartha is talking about is in a J platform, when the platform was launched through the Meteor, which has become a very successful product for us. Then we came out with the Classic 350, then Bullet 350. And we also launched Hunter 350. So, a particular platform when we actually envisage and we think through it, how it can spin off to different motorcycles, giving a different experience to the consumers. So, the K-platform also when we are conceiving it, designing, developing it and all those things, it should help us to come out with more motorcycles with different experiences. So, this platform also will lend more motorcycles in time to come, starting the Himalayan 411, which has changed to the Sherpa platform 450 now. Acceptance has been very good. When the platform has to get accepted, then the scale has to be brought. That's how the new motorcycles have to come in, over the period of time.

Pramod Kumar:

And the last question from my side will be on the competition bit, I don't seek any comments on the competitors as such. But how have you seen the customer engagement at your end in terms of the visits to your websites or social media pages and enquiry levels and also the conversion rate. In cities where you have seen some of these recent launches from competition have been active, right? So how are the metrics which you used to track customer engagement and customer involvement or customer interest? How have they kind of shaped up in the last three to four months, if you can just shed some light on that? Because what we understand is the competition models are not seeing any great demand, the waiting periods are off. But I just want to understand, has it got to do with the overall segment seeing a bit of moderation in demand? Or are we seeing some hit to our volumes because of competition as well?

B. Govindarajan:

Pramod, competition we will keep it aside, so what we are doing, what is that our metrics, I'll just talk about that. Our enquiry rate during this quarter has actually gone up by almost about 15-16% compared to the earlier thing. Our conversion percentage also has been very good. The booking has been very good. It's almost about 11-12%, which is a growth, which is there even in the booking during this quarter. And the new products which we launched, the Sherpa Platform 450 cc and the Shotgun, both the enquiries, bookings and the interests are very good, and it's in a very happy situation. That way if you look at it, there's a lot of positive vibes, which we get it from the market.

Pramod Kumar:

Sounds good. Thanks a lot, and best of luck. Thank you.

Basudeb Banerjee:

Thanks, Pramod. Next, we have a question from Binay Singh. Unmute please.

Binay Singh:

Hi, team. Thanks for the opportunity. Two questions from my side. First, on exports. In the opening comment, we talked about exports on the retail base is growing over nine months, whereas when we see the wholesale data it's down around 26%. So why such a wide gap? And when do you see the dispatches also sort of starting to post growth? Like is this inventory clearance?



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The second question is on the assured buyback programme. I believe we started it in mid-October in 12 cities and then we started the REOWN programme also last quarter. So, what is the response to these two programmes? What percentage of sales are coming from there? And also, what are the costs associated on these? And where do they show up in the books for Royal Enfield if any. These two. Thank you.

B. Govindarajan:

Yeah, so first, maybe on the international business, we will talk about, that's what we are mentioning. You guys have been tracking the macroeconomic indicators, we can't just ignore it in the international market. That's the reality. The reality is even now, there are countries in which if you send motorcycles, the payment you will receive only after about 120 days. So, you have to give a credit period, unsecured, that's not a good sign. The second is the customer sentiments in some areas are not good. The energy cost in Europe, even though there is a slight amount of positivism, the sentiment hasn't come back in that same speed. Australia, once again, if you look at the inflation and the interest rate, which has gone up at least 12x continuously. So international market, there is sentiment-wise, it's not in a good situation. But we are seeing some amount of opening up in those markets slowly, especially in Thailand, I saw some amount of opening up in the last month.

As far as we are concerned, what's happening is our focus is as of now in retail. We are all thinking that the market will be very good. Based on that, we envisaged international markets, the wholesale numbers because there is a season and there is also a lead time for logistics, all put together, we have to store. That's how we also held in motorcycles. Now when we saw the conditions, we also said that, okay, that's not the way we'll start focusing more on retail. That way, I've been saying that the retail has been very good. Wholesale is a question of time when the market is actually coming up to some good level in the sentiment, we will start looking at the numbers. At what point of time if you have to ask me, personally, I can tell you, maybe I see it in another about two, three quarters. You will see a growth compared to this year. But it has to be seen country by country. What we have to look at is, whether our products are accepted very well, the Sherpa platform, New Himalayan, which has been accepted very well. It will be available to Europe in another month or two. And our Shotgun which has been just launched in the U.S. that will also be available. Super Meteor, we were actually giving it in India. Now we are actually opening up into international markets slowly, the dispatches are taking place. The new products and also on GT and Interceptor, we have given in new colours, those things are also creating an excitement into the international market. We are doing what is required for the long-term. As I always say, we are a long-term aggressive company. So, to that extent in international market, we see there's a huge potential for us to grow. For that, whatever is to be done as a base to be set for that future, that's what we are doing. Once the market opens up, you will really see a growth for Royal Enfield.

Vidhya Srinivasan:

On the second question, some part of it is in marketing costs and some part of it in employee cost, depending on where the component is. We of course, track it internally separately. But for this, it's grouped into multiple areas.

B. Govindarajan:

Assured buyback system, buyback as a scheme. It's a first of its kind.

Vidhya Srinivasan:

And assured buyback, we don't really have a cost associated to that.

B. Govindarajan:

That's right. There's no cost associated to that. That is an ease to the consumer from an ownership to the usership model whoever is in need of it. So, we are preparing for any requirement with the consumer who wants to enjoy the Royal Enfield motorcycles. So, we should be there. REOWN, as Siddhartha was mentioning, we had almost about 6.5 million motorcycles, which are there sold by us, which have got added from 2011 to 2023. And the upgrade cycle will kick in at a point of time. For that, we should be ready to give you a frictionless process for the consumer, and that's why we thought, okay, we'll bring out within assured buyback scheme. And that programme, we are launching it, not that we wanted to scale it as a separate business line immediately, we'll go slow, but we know this will help us for our consumers when they want to upgrade. That's why we are preparing ourselves well.



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- Binay Singh:** Great team, thanks for the response.
- Basudeb Banerjee:** Thanks. Next, we have question from Gunjan Prithyani. Please unmute.
- Gunjan Prithyani:** Yeah, hi. Thanks for taking my questions. I had a couple of follow-ups. Firstly, on the P&L side, if you can just share some thoughts on what's really driving the ASP movement QoQ. Were there any price hikes taken? And there were quite a few events, new launches that happened in the last couple of months. So, is there any one-off element to the other expenses that we should bear in mind, which is not going to repeat or recur in the upcoming quarters?
- Vidhya Srinivasan:** I think as far as ASP increase is concerned, we've had new products which have come in, which have kind of altered the mix and which is really resulting in the domestic market ASP movement. And as far as international is concerned, of course, there has been a bit of a change as far as since international dispatches have been slightly lower. That's as far as that goes.
- And in marketing spend, we have taken some of the launch expenses as well as the Motoverse expenses are kicking in this quarter. Having said that, I think we obviously have our launches, which will keep coming up. So, it's really difficult to guide saying that's not going to be the case at all going forward.
- Gunjan Prithyani:** So, we shouldn't sort of take it as one-offs. You are expecting the marketing spend?
- Vidhya Srinivasan:** There is a one-off element associated with it. So, I think approximately, we say about ₹20 crores has increased versus previous quarter, which is on account of a larger number of launches in this particular quarter.
- Gunjan Prithyani:** Okay. Got it. The second follow-up I had was on Himalayan and Bullet, which you all sort of talk about how the response has been really great. If you can share a little bit more colour on, how should we think of, particularly, let's say, Himalayan 450, what are the sort of bookings that you're seeing, is there a wait period that you can talk about? Some sense, which gives us comfort that, okay, these are the new launches, which we are yet to see reflecting in terms of scale-up. Where I'm coming from is because I'm not seeing that retail trends sort of improving post the festive. It's been quite underwhelming post-festive. And maybe we are not clearly picking up the potential of the new launches. So, if you can talk about these launches, it will be great.
- B. Govindarajan:** Gunjan, we don't give the specific numbers on the booking and all those. But what I can add is that, the Himalayan 450 and the Sherpa platform when we launched, it's a new engine. There are new technologies which are added into this. So, we are also not a company, that will go very aggressively to say that, okay, there is so much of a motorcycle we can just take it to the market. We normally go in a slow pace. That's what we wanted to be because the consumer should enjoy the motorcycle. I can tell you these two things, I think first time I'm going to talk about, we have already sold almost 6,500 units of this motorcycle. Because for the international market, we also have to be looking at some dispatches to catch up with the season. It's in the ramp-up phase. You will see the numbers of the Himalayan coming back. The interest on the new Himalayan is really very high. As Siddhartha was mentioning, it's in a white space because in the market outside India, they also want the speed which can also be used into the main motorways. This platform actually helps for the adventure tourer, for the exploration and also for the long commute, which is also possible in this motorcycle. That's all there is a positivism which we see with the new Himalayan, little on India, even outside India.
- Gunjan Prithyani:** Okay. And on Bullet, any wait periods, anything that we should expect that there's further scale up to go from here?
- B. Govindarajan:** The Bullet, I think we did a good job of carrying that legacy to the next generation. We really did a good job, I suppose, I always tell the team because it's very tough to actually tell exactly



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what it is, but I think we have landed it properly. Post-launch, I'm seeing the growth has been very good. In fact, if I'm right, I think we grew almost about 17% in the Bullet compared to last year. So, in all the markets, the acceptance has been very good.

Basudeb Banerjee:

Yeah, next, we have question from Aryn Pirani. Please unmute yourself.

Aryn Pirani:

Yes, hi. Thanks for the opportunity. I just wanted to dig a little deeper on the export side. You mentioned that in the U.K., you are now the top brand in the middleweight category. And I think even in some of the European and the U.S. market, I think you mentioned high single-digit market share. So given that these markets are not necessarily high-growth markets for the category. Will our ramp-up here be driven by gaining market share further? Or do you think that you will be launching products which could expand the middleweight category, if I'm thinking from a next two-three years perspective?

Siddhartha Lal:

Maybe I can try and take that. When you're a smaller player, I think to try and expand the market is generally not going to be possible. So right now, it's very much a case of taking share. Of course, I mean and case and point previous example that Govind had given on Himalayan, obviously, we're all a bit coloured by our latest product, but the Himalayan is truly something that is extremely differentiated globally. Earlier our products were extremely differentiated, and I mean, top of the line in India. But now this one even from a global perspective is extremely different. There's nothing like that in middleweight at all. So of course, to some extent, we think it will extend, it will grow the market in certain parts of the world just because it will create interest in demand where there wasn't any previously in middleweights for something like an Adventure Tourer.

And so I think the time is now coming where we will start slightly expanding the market. But largely, we're still looking at gaining share. Because all our other products that we're talking about are our Classics, our Meteors, our Hunters, our Interceptors, GTs, Super Meteors. They're all competing a bit more directly. They're all going to be, someone is going to buy one of ours, they're not going to buy somebody else's. So, it would be gaining share essentially. But we are very confident of doing that as well of gaining share, which we have been showing and we are continuing to do. We believe that one more leap with the Himalayan which has not touched the shore, outside India, it has not even arrived yet. It's still to happen in 2024.

Aryn Pirani:

Thanks for that. And domestic side, one question specifically on Hunter, we have seen the volumes stabilise at a certain level. In fact, in the last three to four months, we've started to see YoY weakness also. Are there, does the market need some more variants according to you or more refreshes? Or do you think that the Hunter in its current form has this kind of addressable market, and you may have to launch different products to expand the addressable market in that ₹1,70,000-₹1,90,000 price point?

B. Govindarajan:

So, I think Hunter we launched in August 2022. Till now, we have almost sold about 275,000 motorcycles of the Hunter in the domestic. In last month, we actually came out with the two new colour variants also, the Dapper Green and the Dapper Orange. So those two colours, which we wanted to bring into the market because we thought in a year, there's new colour addition, that's what the market wants. We felt that that's the right thing to do for the brand, because it's fairly a new brand for Royal Enfield Hunter. And the good news is we always wanted to get us the new set of consumers, the young consumers who always wanted brand Royal Enfield, but they wanted a motorcycle at a different format. And the question which the consumers were looking at, our riders were looking at, I think we have addressed it squarely. Last time also we discussed that maybe a rural push has to be there. In fact, our growth in the rural market also has been very good compared to the urban-centric states. So, it's in a good space. Because of the new variants, 2024 models, all those things, we also worked on the numbers which has to be build. So, you will see, once again, the Hunter coming back into the numbers.

Aryn Pirani:

Sure. Look forward to that. Thank you.



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- Basudeb Banerjee:** Thanks, Aryn. Next question is from Arvind Sharma. Please unmute.
- Arvind Sharma:** Yeah, hi. Good evening. Thank you for taking my question. Again, on the domestic demand side, in terms of monthly volumes, overall wholesale that you report, there has been some moderation rather plateauing at the 70,000-72,000 units when you make your annual or slightly longer-term projections, where do you see this number going? And what would be the next driver of this monthly volume? So that's my first question.
- B. Govindarajan:** One big question. That's not going to be the first question. 70,000, it's a very good number, guys, per month in the domestic. And what we always look at is, is there an interest for the brand Royal Enfield. And wholesale is in the way we talk to the dealers, that's not what our focus is always. Our focus is how is the enquiry? Is there enough interest on the brand Royal Enfield? Is there enough interest on the product which we have launched into the market, and it is supposed to give them a particular set of an experience to the consumers is that being delivered, how are they taking it? That's what is the focus always and get more people on to the ride, get more people on to the saddle of Royal Enfield, let them all enjoy the motorcycle that's what is the focus is. That way, Hunter has been very successful for us in the last year.
- Now we have launched the all-new Sherpa platform 450 Himalayan, which is also catching up. The Shotgun, which we launched, there's a lot of interest, which is coming up. The positive side, which I'm seeing is that there is a lot of interest for brand Royal Enfield. The enquiries are going up. The booking is coming up now. And that's why we see the numbers going up in time to come. I'm sure you would be looking at the exact numbers. That's not the way we do.
- Arvind Sharma:** No, what you said was exactly what we're looking for in terms of how you see the numbers growing. Second question would be the electric vehicles. You did showcase a prototype. Anything that you can share in terms of the broader plans going forward? I know it's too early, but anything that you can share maybe in volumes or in size or usage.
- B. Govindarajan:** Too early to be talking about EV numbers and all those things. Just as investors, I'm just adding up this. Last time we said that we are working on dedicated team of about 100 people, the team size has gone to almost about 140. And there are a lot of guys who are working in a software that actually has come in now. We are just looking at what sort of an experience, which we can give it in the software side. That's also being worked on. During this time, our focus has been on supplier finalisation, the automation which is required and what are all the quality parameters, which we have to bring in. So, our focus has been on to the operationalising and the detailed design of it. So that extent of the work is going on in full swing.
- Arvind Sharma:** Sure. Thank you so much. That's all from my side.
- Basudeb Banerjee:** Thanks, Arvind. Next, we have question from Mihir Jhaveri.
- Mihir Jhaveri:** First on VECV. So basically, we have seen that the two largest players have sounded cautious for the next six to nine months in terms of demand, including Q4. So how do we envisage in terms of, particularly, in the CV segment for the quarter next in terms of demand as well as anything you want to guide for FY25 in terms of demand from CV perspective?
- And second question would be with regards to RE and overall margins. So, have we seen the major benefits of commodity into this quarter? Or is there something else which will still come in? And on RE, if you can throw some light in terms of the inventory situation and whether there is any waiting period in any of the models?
- Vinod Aggarwal:** I will first comment on the VECV market outlook. So fundamentally, if you look at the commercial vehicle market, it is driven by fundamental factors of firstly, the economy; secondly, the replacement demand; and thirdly, the infrastructure investments. So, if you look at all these three fundamental factors, I think all three factors are very, very positive. Indian



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economy is doing well and there is good outlook also that from \$3.7 trillion, the market economy should go up to \$5 trillion or \$7 trillion in next three to five years.

The second fundamental factor is the replacement market. On the replacement market front, there is a huge need to replace the old trucks. For example, the entire population of BS-III and BS-IV old trucks that is going to come up for replacement, because the new trucks, they are much more productive, much more efficient, and they can meet the requirements of the new age customers. For example, if the delivery has to happen in certain time, it has to happen with certain speed or if you have to drive the trucks in the new roads, you need certain horsepower, and then connectivity and all the productivity things linked to the connectivity. Like, for example, we provide predictive maintenance services or uptime services. All these things are possible only with the new age trucks. So therefore, it makes a very good business case to replace all the old trucks. And old trucks, if they continue with that, they may not get the right business from the new customers. So therefore, you will see more and more replacements happening.

The third fundamental factor is the infrastructure investments. The government is continuing to have a very strong programme on the infrastructure, and you will see more and more investors coming in, which means more demand for steel and more demand for cement, more demand for construction trucks. So therefore, I think all these fundamental factors are in place.

Now if you look at MoM or QoQ, there may be short-term hiccups here and there. I think we should not worry about that. But overall, if you take a medium-term view, the commercial vehicle industry is likely to remain very good.

Vidhya Srinivasan:

Yeah. As far as RE is concerned, and I think your question was around any benefits we are getting from pricing on commodities. So, I think if you see largely the major categories of commodity, steel has been pretty much stable for most of the year. Aluminium has also been range bound. And as far as precious metals, we are seeing some benefits, but they are relatively a smaller cost as far as the overall material cost is concerned.

We've been consistently talking about 0.9% benefit that we're getting in the margins on account of commodities YoY. So that is what I'd like to continue to maintain, and I'm not necessarily seeing too much of a tailwind at this point, but we are observing this situation as it moves forward. And I think one final question was there on backlog. I think the order backlog is pretty healthy. I think I would say about three to four weeks. And obviously it varies as per product.

Mihir Jhaveri:

Thank you.

Basudeb Banerjee:

Thanks Mihir. Next question is from Chandramouli.

Chandramouli Muthiah:

Hi, good evening. And thank you for taking my questions. My first question is just trying to understand the ASP improvement a little bit better this quarter, as you mentioned, a lot of new products and refreshes in there. Just trying to understand specifically on the Himalayan 411cc versus 452cc. Going forward, do we expect a large majority of our sales to come from 452cc, and is there any residual sort of 411cc models in there that will continue to market?

B. Govindarajan:

Well, I think 411cc was the Himalayan which we launched in 2016, first. Now the new Himalayan, the Sherpa platform is 450cc water-cooled, that's done in the Himalayan. As we were talking about, this platform will lend for new products at a later point of time. As of now, we have the Scram 411cc on the same platform. That's continuing.

Chandramouli Muthiah:

Got it. And of the 6,500 units that you mentioned on Himalayan 452cc, is that all just for the December quarter? Or is that sort of sales as of date?

B. Govindarajan:

It's December and the first week of Jan, I suppose. That's why I said it is consolidated level from the launch, what we have actually sold.



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- Chandramouli Muthiah:** Got it. That's helpful. My second question is just around logistics, just given some of these recent issues around the Red Sea and Europe being an important market for you. Just trying to understand, is there any delays or inflation in freight rates that you're experiencing from some of the Red Sea issue. I understand you also spoke about sort of this being a stock-up quarter ahead of the riding season in some of your key export markets. So just trying to understand some of the logistical situation a little bit better?
- Vidhya Srinivasan:** Yeah. I think, like you said, obviously, we are watching the Red Sea situation and there has been an impact. So, if you see some of the shipment charges have seen an increase of somewhere between 25% to 30%. But I think slowly, I mean, we'll watch how it moves. That's for specific routes, not across the board. And shipment duration has increased by about 30 days. So, I think that's essentially the impact we're seeing right now.
- Chandramouli Muthiah:** Got it. That's helpful. And just lastly, around the U.K. distribution. A couple of quarters back, you mentioned that you're bringing that in-house. So just trying to understand if the entire process of bringing the inventory in-house and sort of settlement with the existing distribution partner, if a follow-up that is done, and if that has any sort of positive margin implications going forward, if that process is now behind us?
- Vidhya Srinivasan:** Yeah. I think more or less, setting up a subsidiary, establishing the team over there, looking at local warehousing, all of that is done. There's a little bit of inventory shift over and all of that which is happening, and which would probably happen until the first or second quarter of next year. But after that, I would imagine that that would be substantially over.
- B. Govindarajan:** Just to add on Chandramouli, the need for actually taking over the financial comes at a later point of time, primarily it is a very important market for us. And we have to connect to the consumer directly because we are growing. That's why we went into that as an initiative, and it does find out to be, financially also it is very helpful for us. So what we wanted is taking over the inventory, signing up with all the dealers, co-funding with the financiers. All those things are one by one, getting sorted. It is not an easy one. I think the team has done a good job of bringing all those things in stream. You will see in time to come, those things getting approved into the P&L.
- Chandramouli Muthiah:** Got it. Thank you very much. And all the best.
- Basudeb Banerjee:** Thank you. Due to time constraints, that was the last question. Over to you, Siddhartha for your closing comments.
- Siddhartha Lal:** Yeah. Just thank you all for joining us for the update. And we've had a very good first 10 months to the year, and we got two more months to go. It all seems good and on track and lots of other interesting things coming from EML. Look forward to talking to you in three months. All the very best. Thank you very much.