

February 20, 2023

Online intimation/submission

The Secretary

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai-400 001

Security Code: 505200

The Secretary

National Stock Exchange of India Ltd

Exchange Plaza, 5th Floor, Plot No. C/1,

G Block, Bandra Kurla Complex, Bandra (E)

Mumbai-400 051

Symbol: EICHERMOT

Subject: Regulation 30 of SEBI (LODR) Regulations, 2015 – Transcript of Conference call

Dear Sir/Madam,

Further to our letter dated February 06, 2023, intimating the schedule of the conference call held on Tuesday, February 14, 2023 please find attached transcript of the aforesaid conference call, held *inter alia* to discuss financial results for the third quarter and nine months ended December 31, 2022, pursuant to regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company www.eichermotors.com.

The conference call started after the conclusion of the Board meeting of the Company.

You are requested to take the same on your records.

Thanking you,

For **Eicher Motors Limited**

Atul Sharma

Company Secretary

Encl: a.a.



“Eicher Motors Limited
Q3 FY23 Earnings Conference Call”

February 14, 2023



MANAGEMENT: **MR. SIDDHARTHA LAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – EICHER MOTORS LIMITED**
MR. VINOD AGGARWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER –VE COMMERCIAL VEHICLES LIMITED
MR. B GOVINDARAJAN – CHIEF EXECUTIVE OFFICER – ROYAL ENFIELD LIMITED
MS. VIDHYA SRINIVASAN – CHIEF FINANCIAL OFFICER – EICHER MOTORS LIMITED



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Basudeb Banerjee:

Hi, good afternoon, everybody, and good evening to the participants from other parts of the world. Welcome to post result Q3 FY23 Eicher Motors Conference Call. We are pleased to get the opportunity to host them on.

We'd like to welcome the senior management of Eicher Motors presented by Mr. Siddhartha Lal, MD, and CEO of Eicher Motors; Mr. Vinod Aggarwal, MD and CEO of Volvo Eicher Commercial Vehicle Limited; Mr. B. Govindarajan, CEO of Royal Enfield Limited; and Ms. Vidhya Srinivasan, Chief Financial Officer, Eicher Motors.

Without wasting more time, I'd like to hand over the call to the senior management.

Siddhartha Lal:

Hello, everyone, and a very good afternoon, evening to all of you, and welcome to Eicher Motors Limited earnings call for Q3 FY2022-23. I hope you're all doing well. As we finished three quarters of the financial year, I'm very happy to report that we are faring well across all business and financial parameters, both at Royal Enfield and at VECV, so all is doing well.

At Royal Enfield, we've seen two big launches over the last couple of quarters, with both motorcycles doing extremely well in the market. After a hiatus of two years, we're back with the largest celebration of the motorcycling community that we have at Royal Enfield, which is Rider Mania and late last year in its new avatar called Motoverse. We also had a very successful global media launch for the Super Meteor 650, the new flagship motorcycle in our range, called journalists from all over the world in Jaisalmer, Rajasthan this year, and that's in January, and we've got absolutely tremendous reviews from everyone on that.

While our overall growth story in the international markets continues to gather a lot of momentum, we've also performed extremely well in India this quarter. We've registered our highest ever market share of 8.1% in all motorcycles sold and nearly one in three, that's nearly 33% of all motorcycles above 125cc segment. So, nearly one out of every three motorcycles above 125cc is a Royal Enfield now.

And we're really expanding the market of premium motorcycles as we speak. In addition to all of that, we also taken some large strides towards our long-term vision of sustainable mobility by making a strategic investment in Stark Future with an initial equity investment of Euros 50 million, translating to around 11% of the equity.

And we also started a partnership and collaboration by completing our collaboration agreement with Stark Future for research and development, parts, aggregates, sharing of technology, technical licensing, and manufacturing. We've scouted around for years in the electric mobility space, and we've looked at scores of different manufacturers and startups.

And we really like the team, the product, the philosophy at Stark and we believe it's an excellent collaboration for us for years to come. We're really excited about that, both in supporting Stark for the tremendous potential that they have and back for Stark Future to support EML and RE in our very ambitious EV program.

So that's on EV for this time. And at Volvo Eicher Commercial Vehicles, we've continued to strengthen our market presence across all key segments, which is light and medium duty trucks, heavy duty trucks and the full range of buses.

We've showcased our capabilities through multiple future-ready products, which include 13.5m electric Eicher bus. This was at our Auto Expo last month, hybrids and power truck, a combination CNG-LNG hybrid vehicle. Of course, Vinod Aggarwal will tell us more about the highlights of VECV and the Auto Expo a bit later.



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And coming over to our financial performance this quarter, I'm delighted to announce that we reported our highest ever Revenue, our highest ever EBITDA and our highest ever Profit after Tax at EML. The consolidated financials of the third quarter is the revenue was ₹3,721 crores, which is up 29% from last year for the quarter.

EBITDA at ₹857 crores, up 47% from last year. And a PAT of ₹741 crores, which is again the highest ever for EML and up 62% from last year. So overall at EML, we continue to maintain a razor-sharp focus on our future strategic growth plans along the robust ESG vision. I'm elated to share that for the second year in a row, we are amongst the top 10 global automakers on the prestigious Dow Jones Sustainability Index, which is a very important measure for us.

And to conclude, I'm extremely confident that we are on a great and accelerated and sustainable growth path for Eicher Motors Limited. Thank you very much. And over to Govindarajan, CEO of Royal Enfield, who will tell us more about the business at Royal Enfield.

B. Govindarajan:

Thank you, Siddhartha. Hi, everyone. Belated New Year wishes for every one of you. At Royal Enfield with our strong and robust business fundamentals and a passionate team, that's what we are, I'm happy to say that we are continuing to make excellent progress towards our near and long-term goals, continuing our vision of becoming a truly global motorcycling brand.

We've made definitive progress this year and specifically in this quarter. As Sid mentioned, we launched the Super Meteor 650. We have unveiled in EICMA, there's an excellent review that was just unveiled. Then subsequently, we showcased it in Rider Mania, which is our Motoverse and the third, we launched it across the globe from Rajasthan.

It has been a brilliant response from everyone across the globe. We're super happy to share even the Hunter 350, which we launched, won the Indian Motorcycle of the Year, IMOTY2023 this year. Since its launch in August, this motorcycle has been receiving unprecedented appreciation and love from consumers across the globe.

First, we launched it in India. Now it is also available across the globe. Rider Mania in 2022, as Siddhartha mentioned, we opened it as Motoverse to our rider community. We've reimagined the Rider Mania, which brought in new spaces, new stories, new activities, and experiences.

This year, in Rider Mania, we brought together almost about 14,000 riders, their journeys, their stories, their missions and much more in one inclusive space at Goa. There's tremendous enthusiasm from the community, which we have represented by riders from 25 countries across the globe. As far as our international footprint is concerned, just to give you a highlight what's happening is there is the strong growth momentum, which is continuing in our international markets.

With markets like Americas region, Europe and APAC, there's a significant growth, which has been happening. In all these markets towards our longer-term ambition, we also started looking at CKD facility. This quarter, we inaugurated a new CKD facility in Brazil, which is our third motorcycle assembly unit in Americas region and our fourth across the globe.

The inauguration of the CKD in Manaus, which is in Brazil, is a testament to our commitment to the region and the significant potential that the Brazilian market holds for RE in time to come. During this quarter, we also signed an agreement to set up CKD units in Bangladesh



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and Nepal because all the other countries are also looking at CKD. And both these markets are also promising potential for Royal Enfield, these facilities will be coming into action in course of time.

Our Vallam Vadagal manufacturing plant, which is the second plant we commissioned, has been awarded as the Future Ready Factory of the Year by Frost & Sullivan, which has been a proud moment for all of us who are involved in setting up to the world-class manufacturing facility.

To share some of the highlights. Our total sales, which are domestic and international put together, we did a sale of almost about 219,898 motorcycles in this quarter, which is up by about 31% YoY basis and 8.1% higher than the Q2 FY23.

Domestic market. India sales was about 202,100 units, which is 34% YoY and 10% higher than the Q2 FY23. The volumes are steadily increasing, and it is improving for us. As Siddhartha was mentioning, our market share gain is growing at a healthy pace, highlighting our strong brand positioning in all these markets.

International market sales in international market is about 17,789 units in Q3, marking a growth of almost about 4.4% over last year. We continue to progress on our vision of becoming a global motorcycle brand from India, notwithstanding the macroeconomic headwinds in global markets.

International retail performance for the nine months of FY23 has been robust, and we have clocked a solid growth range from 37% to 48% across various regions, backed by our robust launch of new products which are present in the pipeline, we are committed towards sustaining the strong growth momentum in the international markets as well. We are looking forward for a very positive Q4.

Now I will hand it over to Mr. Vinod Aggarwal to walk us through about the VECV financials.

Vinod Aggarwal:

Thank you, Govind. Good afternoon, and I will begin with financials for VECV. Our total sales in Q3 have been 18,162 units, up 13.2% from 16,044 units in Q3 FY22. Our revenues from operations are ₹4,603.9 crores, up 27% from ₹3,625.7 crores in Q3 FY22. Our EBITDA has been ₹304.95 crores, up 26.2% from ₹241.55 crores in Q3 FY22.

Our EBITDA margin is 6.8%, and this is same as in last year Q3. And our Profit after Tax has been ₹160.3 crores, up from ₹67.7 crores in Q3 of last year. We listed robust volumes across the board with the highest Q3 sales at 18,162 units and we listed highest ever Eicher and Volvo heavy-duty truck sales in the quarter of 5,241 units, and our market share in heavy-duty trucks now is more than 8% of both Eicher and Volvo trucks.

Our continuing focus on improving dealer satisfaction and uptime for our customers is showing in high levels of service and parts sales, as our customers utilize our expanded dealer network. We have highest ever quarterly parts business of ₹295 crores, registering more than 20% growth over Q3 FY22. At the recently conducted Auto Expo 2022, we have showcased a glimpse of our capabilities through multiple future-ready product lineups aligned with the Government of India vision for efficient logistics and decarbonized Auto Industry.

And we are as Siddhartha has mentioned in his address, we unveiled India's longest Eicher 13.5m electric Intercity Coach, we unveiled Eicher 2049 4.9-ton GVW electric distribution truck for near city and intracity distribution.



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We unveiled LNG drivetrain for long-haul trucking, both in Volvo and in Eicher brands. And we displayed hydrogen ICE and hydrogen fuel cell technologies.

With that, I hand over back to you for further questions-and-answers.

Anubhav Bajpai:

We can start off with Q&A Basudeb and Divya.

Moderator:

Thank you. First question, we will take from the line of Prithyani Gunjan. Prithyani, please go ahead.

Gunjan Prithyani:

Hi, can you hear me?

Moderator:

Yes.

Siddhartha Lal:

Yeah, loud, and clear.

Gunjan Prithyani:

Yeah, okay. Thanks for taking my questions. I had two questions. Firstly, on the margin side, I just wanted to get some sense from you all as to where are we on the metal correction as large part of that reflected in this quarter. And in terms of incremental, how should we be looking at the margins because there was a mix impact, which is quite significant for the last two quarters? So maybe some color on incrementally, how should we be thinking about the levers both on the positive and the negative side on the margins?

B. Govindarajan:

Gunjan, let me give you on the GC level, which you are talking about. First and foremost, every one of you, I'm sure now you all would have seen it, the commodity pressure is not there. It has to start flowing in. So, coming quarters, it will start flowing. It started flowing even in this quarter. In the coming quarters also, it will start flowing in. There is one more, which I just wanted to bring in, maybe Vidhya can add on.

At Royal Enfield, when we do a price action or something like that, for us, more than the price action, the consumers have to get protected. What we have done is for all those consumers who have actually booked our motorcycles even though at a particular point of time, we increase the pricing, we said we will give the price protection for all of them till we offer the motorcycle once to them. If they take a decision of not taking the motorcycles and I'll take it later, that's fine.

Till we actually give the opportunity for them to say, yes, I'm taking the motorcycle, we will do the price protection, that will also flow in. In the last quarter call as I was just mentioning, we've done a platform change, which is the J platform.

It has just been there in the market for the past two years starting from the Meteor 350. Now the value engineering, all those activities will start kicking in. There are a lot of activities which are happening around the GC. I hope that gives the overall sense of what are we doing on that area.

Vidhya Srinivasan:

I think, Govind let me add to that. I think on an absolute level, first off, our gross profit has increased to about ₹1,555 crores, which is an increase of 4% QoQ, 34% YoY. On a YTD basis, our gross profit per bike has increased about 2% versus the same quarter in the previous year. Also, on a YTD basis also, it has increased by about 2%. So those are the good things which are happening on a gross profit standpoint.



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As you rightly mentioned, there's obviously been an impact of product mix as well as the international mix which is flowing into our things. And I think what Govind has already mentioned, we have taken price corrections of about 1.5% on Hunter as well as Bullet in the last quarter.

And as we mentioned, we have been protecting the customers from order book standpoint as far as the margin is concerned. But I think we're expecting to see that benefit flow through into the GC.

Gunjan Prithyani:

Okay. So just to get this right, when you mean price correction, you mean that you all have taken price increases and you're still giving the prior order book at the locked-in prices? Is that understanding, correct?

B. Govindarajan:

That's right, Gunjan. To an extent, as I clarified because consumers have come back and then say, "We love your motorcycle, and we are booking and willing to wait." In between because of whatever the business increase the price, as an organization for as consumer comes first, we always said, till we offer the motorcycle to them, we will do a price protection for them.

It does mean the price increase, which is to flow into our P&L will happen later point of time. But that's important for us because the consumers must be respected in that form because they believe that there is a possibility that this motorcycle will be available to me at a particular point of time.

Gunjan Prithyani:

Okay. The steel benefit is also yet to flow through, and this price benefit is also yet to flow through, that are the incremental positives that we should keep in mind?

Siddhartha Lal:

Partially to that, we can't say that it will flow through 100% now, right. Partially, it would have flown through.

B. Govindarajan:

Yes, Gunjan, what happens is all these commodities corrections, which you do it in a particular cycle, we take a quarterly cycle, but the cycle can flow in between the quarter also. So sometimes what happens is with the inventories there at a particular price point, then that gets consumed, the commodity advantage, which is there, it will start flowing in the quarters. Partly, we have taken, the money will flow in.

Gunjan Prithyani:

Okay. Got it. And the second question I had was on the model launch pipeline. I know you don't talk what model, what timelines, but maybe some color on how should we be looking at FY 24 in terms of new model introductions or refreshes to the existing portfolio, even a broader commentary on the number of interventions that we could see will help us think through the volume growth for next year?

B. Govindarajan:

In 2023, we launched Hunter, and I'm sure everybody will be doing the market check has been doing outstandingly well for us, which we wanted the new set of consumers must come in into the Royal Enfield fold. That's what it is exactly doing to us. Then on the learning which we had on the cruising through our Meteor which we used it for J platform launch, we launched the Super Meteor, we launched a Scram on the Himalayan platform. As we always mentioned, constantly we keep looking for what are the adjacencies which are there, which the consumer wants and experience across the globe.

We being a rider, we also constantly keep looking at what's the kind of an experience that the consumer wants, and we keep doing it. And there's no new product which can come in one year, right? All these things must be thought through almost for three years, four years



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window. So, we have a very healthy new product lineup which are there, which we will come in the next few years one after the other.

Gunjan Prithyani:

Okay, I will join back the queue. Thank you.

Moderator:

Thank you. An announcement for the participant, we would request you to restrict your questions to two as we have a long queue of questions. Also, if you could announce the organization name before asking your questions. Our next question is from the line of Kumar Rakesh. Rakesh, please go ahead.

Rakesh Kumar:

Hi, thank you for taking my questions. Good evening, everyone. My first question was around Bullet 350cc that should go on the J platform, and I'm guessing it could be any time soon we will be launching that. Will this transfer increase the cost and price for the product?

Siddhartha Lal:

I'm sorry, Rakesh, we're not going to comment on future products. So that's a potential future product we are talking about, so we can't comment on that.

Rakesh Kumar:

Fair enough. I have a question on VECV margin as well. So VECV margin expanded by about 100 bps QoQ, while commercial vehicle peers, we have noticed expanded much stronger margin on a QoQ basis, more than 200-300 bps. So where did we lag in margin expansion? While we are hearing that discounting pressure has reduced at least in the last quarter. Or do we expect more margin expansion to happen in the coming quarters?

Vinod Aggarwal:

I think you must look at the consistency in our margins. If you look at the margins of other companies, there have been significant ups and downs. This quarter, they have shown good margin and whereas the earlier quarters, they have been showing very low margins. Whereas we have been very consistent. As we mentioned, there may some positive impact growing partially due to the mobility prices. So therefore, we cannot make the forward statement that how much it will go up. However, we are on the right trend.

Rakesh Kumar:

Correct, thanks Vinod for that. And just kind of clarification to Gunjan's question. Govindarajan, you talked about the price protection to customers, in our current order book for the models, do we still have some orders left with price protection or is that largely over in March ended quarter?

B. Govindarajan :

At a particular point of time, if due to a price increase, if there is an order which was there for those consumers first will be offer, obviously, we will do the price protection. So that's a philosophy we will continue Kumar.

Rakesh Kumar:

Thanks. I will fall back in the queue. Thank you.

Moderator:

Thank you. Next question is from the line of Pramod Kumar. Pramod, please go ahead.

Pramod Kumar:

Thanks a lot for the opportunity. My first question is on the export outlook. Given the macro headwinds what we are facing, if you can just help us understand how do you look at the export potential in the near to medium term? And given the fact that we are also establishing CKD plants now, will that help us further in terms of pricing in the end markets? And how should one look at export outlook for, say, FY24 because we've had a spectacular run for the last three years? And now even with Hunter export starting in the last quarter, how should one expect export growth outlook for FY24, Govind, in terms of -- should we be looking for the 10,000-15,000 units of monthly run rate going forward?



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B. Govindarajan:

Pramod, thanks for the question. It has been always said outside India, the potential is very high for us. We always look at it as it's a long-term growth, which we have to take in. And as an organization, we are also the long-term aggressive company. From the Twin platform, which we first brought in, then subsequently, we had the J platform, all the products around that, today, they are all Euro V compliant.

So globally, you can sell those motorcycles. What we have done is, we started looking at community building and retail outlet expansion activities in all the countries and started looking at CKD in all those markets, where the market is very good.

So all those areas, what we have done is all the background activities, which has done in the market growth is what we have been focusing on. This year, it has been showing that the market is growing. We also touched on the macro economies; nobody can escape from any of that sort of an impact. But as of now, the proxy which we are looking at is how is the schedule of auto component industry from the Europe manufacturers and how is it going, that's not showing anything very adverse. So that's the positive sign and mobility area is continuing. We are hopeful that we will not have any major impact because of the macroeconomic indicators.

Pramod Kumar:

Thanks, Govind. Second question is on the domestic demand side. Given the kind of steep price inflation, what we've seen because of regulations and various other factors. The Hunter 350cc launch has kind of really been a big hit to the customers because, in a way, we have kind of dialed back the price increases effectively without compromising the product and the entire Royal Enfield appeal.

So given the success of Hunter 350, is there a thinking that potentially you can do more on those lines in terms of probably more fresher designs, which can kind of attract more younger customers and widen the addressable market for Royal Enfield because Hunter 350 has been one of the biggest hits in the entire tool industry in the last few years. Is this something which you are looking that we can probably do more on that kind of slightly more affordable and lower-priced product as a strategy and more designs along with that?

B. Govindarajan:

What we know as a team, which we have been also discussing with the team is, we also need to do a lot more even in Hunter 350. We launched it in August 2022, it's a partial year. And this year, it is going to be available in full year. We also had the mix changes, which were there between the Retro and the Metro, and now the focus is brought back in the company. And all the rural market, hopefully, the spend also starts up in that particular area, so there's a huge potential of all the youths in that particular area also.

It is actually doing what we were intending to have it in the company of getting a new set of consumers, younger audience who love the brand Royal Enfield, but they wanted a motorcycle a bit more agile and easy for them to maneuver.

And that's exactly answered. There's a huge potential for Hunter itself in the domestic and in the international market. We're yet to exploit that itself. So that's why we'll be focused on this now.

Pramod Kumar:

Govind, do you expect Hunter share to kind of volumes to keep getting better? If I understood what you said, you're seeing more upside to the Hunter volumes in domestic market?

B. Govindarajan:

We feel that all our products are in a better position to grow. When the market opens up more, all of our products should grow. And as an organization we're also early new. All those products, along with the market has to grow now. The best thing is Hunter, is getting new



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consumers, it's not cannibalizing Classic. That's a good sign for us. And all the markets wherever we have seen order-wise it is getting new consumers.

As the market opens, you all know in the domestic market, the market is not so good for everyone. When the market opens, it's going to be healthy for us because that's how we have been gaining the market share. The lead indicator for anyone to understand that the brand is being loved, the products are very good, there is an acceptance in a market which is not so buoyant, but still when the market share is being gained. When the market is coming back, we hope to see that all our products also will be doing well, Pramod.

- Pramod Kumar:** Thanks a lot Govind. And wish you guys all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Hitesh Goel. Hitesh, please go ahead.
- Hitesh Goel:** Thanks for taking my question. My question is if I look at the consolidated EBITDA minus the stand-alone EBITDA, there's not much contribution in this quarter, right? Can you talk us through what has happened here because it was showing 17-18 INR crores kind of EBITDA contribution coming from subsidiaries? Can you please talk about that first? Then I'll take my second question.
- Vidhya Srinivasan:** I think to some extent, obviously, there has been EBITDA which is happening at various subsidiaries. A little bit from a timing standpoint because we are building up inventory for the season. And because of that, there is a little bit of a reversal of EBITDA, which we are booking locally. I think we've talked about it in prior quarters. I think that is what is showing up in the difference between standalone and consolidated.
- Hitesh Goel:** There are no launch expenses or something in the abroad subsidiaries because of Hunter exports starting?
- Vidhya Srinivasan:** No, basically, when we send inventory from India to global subsidiaries, we are building up for the season because we are moving with the season in Europe as well as North America, that reversal is taking place which is essentially impacting it.
- Hitesh Goel:** Okay. My second question is on the stand-alone business. Basically, if my understanding is right that on a QoQ basis, there has been a 5-6% shift towards Hunter 350, like you had spoken in earlier quarters, there is an 8% lower gross margin on Hunter 350. When I compute this, there's a 50 bps impact on gross margin from Hunter 350. There's a 70bps coming through raw materials in this quarter, is that the right way to look at it?
- Vidhya Srinivasan:** I think approximately, the ways to look at it is that we have a 0.5% upswing in terms of commodity price improvements, which is reflecting in our gross margin.
- Hitesh Goel:** Okay. Okay. And going forward, you're saying there will be more commodity benefits yet to flow through because of the lag effect, right, in the fourth quarter?
- Vidhya Srinivasan:** Well, I can't give you too much information.
- B. Govindarajan :** As it has been discussed, Hitesh, as it has partially flown because commodities as of now, it is not showing, but there are enough researches, which is also coming back and then saying if China picks up how the commodity will behave on all of those things. But yes, when the commodity is easing out, it flows into the P&L.
- Hitesh Goel:** Great. Thank you and all the best.



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- Moderator:** Thank you. We have next question from the line of Raghunandhan N. L. Raghunandhan, please go ahead.
- Raghunandhan N. L.:** My first question, considering the positive reviews for Super Meteor, how do you see the potential for the product in domestic and export markets. I mean providing critical upgrades for existing 350cc vehicle owners has been an objective for the company. So how do you look at strengthening the portfolio in larger CC products and looking at upgrading customers?
- B. Govindarajan:** Raghunandhan, maybe I'll rephrase the question, if you're asking how the Super Meteor 650 will help in the upgrade cycle for Royal Enfield, if that's the question? Am I right?
- Raghunandhan N. L.:** Yes, sir.
- B. Govindarajan:** Okay. So let me just articulate, and Siddhartha can add on this. As Super Meteor 650 is on the platform of 650 Twin engine. We came out with a cafe racer, and then we also came out with an Interceptor, which is a roadster. Now we wanted to come out with one more motorcycle, which is a cruiser. So that's what the Super Meteor 650, which we launched.
- When we launched in our Motoverse, without even announcing the price and all those things, so there's a good response of people coming and booking. We got a good number of bookings then on that day itself. Now it is also being exported to other markets.
- It's just opening a segment for Royal Enfield, which is already existing. Cruiser is existing everywhere. But everyone is looking at an easy cruiser, thoroughbred from Royal Enfield which is easy for them also to maintain and is not too heavy. I mean people won't get intimidated, but it should have a solid presence, and that's what our Super Meteor 650 does. And all the journalists who came road along with us at Rajasthan, everybody came back and then said, Royal Enfield has got a good cruiser for the global audience.
- It's in initial stages, the response from the journalists and from the consumers have been very good. We are very happy about it. It opens up for our consumers, as I mentioned, it can be a Continental GT, which they can take on or Interceptor 650 they can take on or Super Meteor they can use depending upon what sort of an experience he wants from the particular product. Now we are giving more offering on the 650 platform for our 350 existing consumers who want to do an upgrade.
- Raghunandhan N. L.:** Got it sir. Thank you. My second question to Vinod Sir, with the RDE norms coming up, by when do you expect the model changeovers to happen? And broadly, what is the range of cost increases?
- Anubhav Bajpai:** Raghu, this is for OBD-II norms for VECV, are you asking?
- Raghunandhan N. L.:** Yes.
- Vinod Aggarwal:** Yes. Model changeover is going to happen in Q4FY23 in a phased manner. And by 1st April, we will move 100% to a OBD-2. As far as the cost increase is concerned for that, it is not going to be like earlier the BS IV to BS VI, it will be much lower than that, which should be within, I think 3% to 5%.
- Raghunandhan N. L.:** Sorry, sir, I missed it. It will be below 5%?



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- Vinod Aggarwal:** Yes. Between 3% to 5%.
- Raghunandhan N. L.:** Thank you sir. That's very helpful.
- Moderator:** Thank you. Our next question is from the line of Chirag Shah. Chirag, please go ahead.
- Chirag Shah:** Yeah. Thanks for the opportunity. Sir, the first question is for Vinod Sir, so are you looking to build up some inventory in anticipation of presales kind of a thing? Or are we looking to transition from here on and willing to sacrifice some volumes, not take the risk of creating an inventory in the system?
- Vinod Aggarwal:** Of course, I don't think we are going to create any inventory for having this benefit. There is no such plan. And I don't think we will suffer because a lack of production, because a lot of our models will move to OBD-II even before. So, there is no concern on production in our inventory buildup of OBD-II. We don't see any concern.
- Chirag Shah:** Okay. No, I was just trying to understand, are you looking at presales or inventory built-up for old vehicles?
- Vinod Aggarwal:** No, we are not going to build any inventory for earlier models.
- Chirag Shah:** Sir, second question is Royal Enfield on Hunter 350. If I must understand after five-six months of Hunter 350 performance, what is the assessment in general in terms of potential ramp-up of Hunter 350? And is the production capacity geared up? Given the commentary by Govind that rural markets are still unexplored or not completely explored. Can we expect a significant ramp up in Hunter 350 volumes from the current monthly run rate and is production geared up for that?
- B. Govindarajan:** Yes, Chirag. I think production-wise, initially, as I mentioned between the Retro and the Metro, we had focused activities, which has been done. Now it's all sorted. So, ramp-up is not a problem. Second is, as far as the market is concerned, as I mentioned, now because of the ramp-up, which has come in and all those things, so now we will start looking at actually exploring more and more markets with Hunter 350.
- Chirag Shah:** Can we assume that if there is a demand, you can increase the supply of Hunter 350 by 25-30% from current run rate. Is that a fair way of look in terms of your capacity planning?
- B. Govindarajan:** Yes, Chirag.
- Chirag Shah:** Yeah. Thanks a lot for this. And all the best.
- B. Govindarajan:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Amber Shukla. Please go ahead.
- Amber Shukla:** Yeah, thanks for the opportunity. Sir, just one question on supply chain. So, is there any supply chain issues still persisting or we will see production recovery from here on?
- B. Govindarajan:** Supply chain is not the top of the mind issue at this stage. Having said, if I have to tell you is it all completely sorted for every month, still some niggling issues then and there, but that's not a top of the mind issues that everyone have to be alert at every point of time. So, it's pulling its weight now.



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- Amber Shukla:** Sure sir. Thanks.
- Moderator:** Amber you have any more questions?
- Amber Shukla:** That's it from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Nishit Jalan. Nishit, please go ahead.
- Nishit Jalan:** Thank you for the opportunity. I have two questions. Firstly, in the last con call, you had talked about that since Hunter 350 model was just launched. The sale of accessories with Hunter model was on the lower side. So just wanted to understand how are things picking up on that front? And secondly, on the production side, correct me if I'm wrong, we have a capacity of about 1 million units on an annual basis? And any plans to ramp up the capacity?
- B. Govindarajan:** Nishit, first is about the motorcycle accessories, which you asked for the Hunter 350. Our motorcycle accessory business has been steadily growing. We have almost about 587+ SKUs, which we have added up in terms of styling, safety, comfort in various experiences, which we can add on to the motorcycle.
- Initially, when we launched Hunter 350 at that point of time, the GMA testing and all those things were going on. Now those are all sorted out, now the consumer can actually go through the configurator, which is there through which he can book and visualize the Hunter model along with the motorcycle accessories and book.
- Second, you asked about the overall capacity. Yes, in Q1 itself we have mentioned, our installed capacity is protected for the near future requirement. Having said, any increment which is required, it is not that we must do it from a scratch. It will be an incremental investment of debottlenecking some of the areas. And that's also not a very long-term kind of an activity wherein you have to wait for it to get the capacity coming in. It's all sorted, some areas where you have to do a balancing activity, which is short-term activity is possible for us to do.
- Nishit Jalan:** Got it sir, just a follow-up. This accessories on Hunter 350. So fair to assume that in the quarter gone by, whatever way you track your accessories that's a percentage of vehicle price. On that metric, was Hunter at par with other models? Or do you think it is still ramping up, and we will see that happening in the coming quarters and was not the case in Q3?
- B. Govindarajan:** No, we normally look at more than per motorcycle and all those things, which is an internal metric. What we look at is our offerings to generate motorcycle accessories, how many consumers are buying the motorcycle are looking at our motorcycle accessories also when they are buying the motorcycle at their dealership or at our retail outlet. Adoption is good. Everybody started looking at the quality of our motorcycle accessories at a different level. So, at the time of purchase, people started buying our motorcycle accessories. And the number of SKUs also have gone up.
- There's a choice for the consumers to look at, as I mentioned, on different experiences, which you can take it through our motorcycle accessories as I mentioned it is comfort, different seat configurations, which are there, style on different color configurations, which can be actually taken up through that. And on the safety, on the engine guard, we have different varieties which are there.
- In terms of other touch feel components, all those areas. The SKUs are going up. So, to that extent, the penetration of the accessories by all the consumers when they are buying the



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motorcycle it is going up. Also, for the older motorcycles, when they come for service, there also now we started selling the motorcycle accessories and the traction is good there, too.

- Nishit Jalan:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you. Our next question is from the line of Aditya Jhawar. Aditya, please go ahead.
- Aditya Jhawar:** Yeah, hi. Thanks for the opportunity. Sir, if you can just clarify on the previous participant's question that Hunter is about 800 bps lower gross margin versus others?
- Vidhya Srinivasan:** I don't think we've actually made any such statements.
- Aditya Jhawar:** Yeah. So that is not the case you are saying, right?
- Siddhartha Lal:** No, we've not made such statement.
- Aditya Jhawar:** Yeah. My second question is, sir, do we have a target in mind in terms of what could be our volume contribution from Hunter 350 on an overall basis. In the initial year, possibly it is slightly on a higher side? Or should we expect a contribution in the similar range in the next couple of years?
- B. Govindarajan:** Aditya, we don't look at the numbers. For us, numbers is always a derivative. We always look at what sort of an experience we give to the consumer, whether what we envisaged, the kind of an experience which we have to give it to them, whether we have given.
- What we look at is, we go back to the community and then say, this is what is the motorcycle which we have made. This is the kind of an experience which we can offer. The community takes on, and that's how our numbers come. So, we don't put a number to ourselves also and then say, oh, go and gun for that number. That's not the way we work as a business.
- Aditya Jhawar:** Perfect. Okay. Thanks a lot. That's it from my side.
- Moderator:** Thank you. Our next question is from the line of Kapil Singh. Kapil, please go ahead.
- Kapil Singh:** Yeah, hi. Thanks for the opportunity. Sorry, I joined in a bit late in case it's a repeat question. I can take it offline. Just wanted to understand your views on pricing. Where are you comfortable at the current level of pricing? Or do you think that we need to raise the pricing and recoup margin over the next two-three years?
- B. Govindarajan:** You're asking comfort on the pricing?
- Kapil Singh:** Yeah. Basically, our current level of pricing and gross margins, is it something that you are comfortable at? Or do you think you need to raise it and improve gross margins over the next two-three years from current levels?
- B. Govindarajan:** I think, Kapil, pricing is not always the businesses have to be looking at internally, right. Pricing have to be looked at from what value proposition we give it to the consumer as a product and what's the overall thought of the particular product from all 6Ps which we do that. Time-to-time, we always look at what is the market, what's happening in that, what's the affordability and accessibility which the consumers are looking at. And what's our product offering them and where should we price? We're always look at it strategically from the consumer rather in than from cost plus type.



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- Kapil Singh:** Okay. Is there a target margin range you want to operate in or this will remain dynamic depending on operating conditions?
- Siddhartha Lal:** We don't get forward-looking targets and all that, so we can't help you with that. Sorry.
- Kapil Singh:** Okay. But is there a target margin range that you look at? I don't want the numbers, but I just want to understand how you think about it?
- B. Govindarajan:** No, Kapil, to be honest, maybe you joined late also, as we mentioned, we don't give any target contribution level, target numbers. That's not the way we work. We always look at what's an experience which we must give, let's be focused on that. That's what we do.
- Kapil Singh:** Okay. Thank you.
- Moderator:** Thank you. Our next question is from the line of Shridhar Kallani. Shridhar, please go ahead.
- Shridhar Kallani:** My question is regarding other income. If some light could be thrown up on the same, because since I can see it's like 100% YoY growth can we see on a 25% increase from QoQ. So, if the management could share some details on the same?
- Vidhya Srinivasan:** You're talking about other comprehensive income, right?
- Shridhar Kallani:** No, the other income, other income. So, from the non-motorcycle segment, I can see some other income being shown up?
- Vidhya Srinivasan:** Yeah. I think it is the interest income, which is coming in, but we will give you the details of that, separately.
- Shridhar Kallani:** Is there just interest income or Forex gain also?
- Vidhya Srinivasan:** No, it's largely interest income.
- Shridhar Kallani:** Okay. If you could give us a sense about the international market, how is the ground level demand? Because as per other OEMs, there seems quite some weakness for the next three to six months. However, since Royal Enfield caters to the premium segment, some views on the ground level from international market from your end?
- B. Govindarajan:** Look, Shridhar, I think as I mentioned, if there are macroeconomic indicators are showing there are as a market conditions, nobody can escape out of it. At a current level, what exactly is happening for the Royal Enfield that demand is good, the interest of our motorcycles are good. Super Meteor 650 which we have launched, they're just getting delivered into the international markets.
- And that's one such motorcycle, which the international consumers have been looking for from the Royal Enfield stable, and we have stocked well for the coming season. We are prepared to address to the market. But if the macro is turning out to be negative for everybody, nobody can escape it. Everybody has to look at it strategically that we can do at that point of time. We must wait and see for some more time, how would this turn out to be in the future.
- Shridhar Kallani:** Okay. So, I can say that we are a bit cautiously optimistic on the whole demand side, right?



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- B. Govindarajan:** From Royal Enfield angle, yes.
- Shridhar Kallani:** Okay. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Hiran Kumar Desai. Hiran, please go ahead.
- Hiran Kumar Desai:** Yeah. One question is, again, regarding the exports. Over a medium term, let's say two to three years, are we targeting any proportion of revenue coming from exports?
- B. Govindarajan:** We look at international market as a huge potential as I mentioned, we are a focused company. We look at how do we build the community outside international market. That is what is the focus. That's very promising to us.
- Siddhartha Lal:** Yeah. And what we're tracking is our market shares. So, we look at our relevance in each of these international markets. That's of supreme importance for us. The actual proportion of international to full business is a resultant, right. I mean it is going up, it will continue to go up. But we don't care about it as much because we can also grow India market. In most likelihood, international will outpace in the long-term. Of course, in some years India may outpace, in some years international. But really, I think the most important thing we look at and we track and we're actually doing extremely well in is in market shares in midsize market. In U.K. I believe we're already number one in that midsize, is that right?
- B. Govindarajan:** That's right.
- Siddhartha Lal:** And we've crossed all the Japanese players and we're number one in midsize segment. In Europe, we have double-digit overall market shares in midsize. In other markets, in U.S., Brazil and all, we are in high single-digit market shares. So that's what we're tracking very closely right now to start improving our market shares in middle-weight motorcycle segment.
- Hiran Kumar Desai:** Yeah. And second question is related to the supply part of our motorcycles. So right now, do we have enough capacity to serve local as well as export markets or we are having to sort of ration in either local or export markets?
- B. Govindarajan:** No. Supply chain is not at top of the mind issue right now, Hiran. So, we can actually supply the demand depending upon their model mix, depending upon the country requirement, all those things is possible now.
- Hiran Kumar Desai:** And just one last small thing. Do we have a waiting period at the moment?
- B. Govindarajan:** We have a healthy waiting period for products. It depends upon the product and the period varies.
- Hiran Kumar Desai:** Okay. Thank you. That answers my questions.
- Moderator:** Thank you. We have our next question from the line of Vipul Agarwal. Vipul, please go ahead.
- Vipul Agarwal:** Thank you for taking my question. It's again on export side. Now since we have strong product line and decent penetration in export market in terms of presence. Can you give some flavor on how the marketing strategy working out in export market, maybe region-wise or country-wise, if possible? Like where are we in creating the segment for Royal Enfield in developing countries like you did in India? And how is it the segment expanding in the developed markets?



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- B. Govindarajan:** See, first and foremost is our focus is in the middle weight outside India also. Our North America, Europe, and APAC region were top focus. Now LATAM is also added into this. That's why we have gone in for the CKD operations also. So, what our focus is on the community build and on the brand building activities, which you have to do. What we have done in the regions is to begin with community building and riding activities. We haven't taken short term measures, we don't do that. So, it will be a targeted marketing, building the community, reaching out to the consumers in the way they wanted us to which is picking up very well and the rides and activities are picking up as well.
- Vipul Agarwal:** Okay. I was more towards like, for example, in Indonesia, how are we approaching the market? And how far we have reached over there just talking about, get some since like now Hunter 350 is a very good threat for these markets?
- B. Govindarajan:** Vipul, On Indonesia - I'm sure you would have studied it, but it has restrictions on the local content. There is a quota, which are there. We are trying to work around all those things. It's a good market, but it has its own nuances, which we have to look around. So, depending upon the priority in the business, we will keep working on it.
- Vipul Agarwal:** Thank you.
- Moderator:** Thank you. That was the last question for this session. I would now like to hand over the call to the management for closing remarks. Over to you, sir.
- Siddhartha Lal:** I'd like to thank you all. Thank you. I think we've had a great quarter at Eicher Motors Limited and lots of interesting developments. looking forward to the coming quarters in the coming years. Thank you very much for attending.
- B. Govindarajan:** Thank you very much.
- Vinod Aggarwal:** Thank you, everyone.
- Moderator:** That will be all for today. Thank you so much everyone for joining us.