



Eicher Motors Limited

**“Q3 FY '25 Earnings Conference Call”**

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**MODERATOR:**    **MR. MUKESH SARAF – AVENDUS SPARK**

**Moderator:**

Ladies and gentlemen, good day, and welcome to Eicher Motors Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukesh Saraf from Avendus Spark. Thank you, and over to you, sir.

**Mukesh Saraf:**

Thank you, Darwin. Good evening, everyone. Mukesh Saraf here from Avendus Spark. Appreciate everybody logging in. From the management team, I'm pleased to host Mr. Siddhartha Lal, Executive Chairman, Eicher Motors Limited; Mr. Vinod Aggarwal, Vice Chairman, Eicher Motors Limited and MD and CEO of VECV; Mr. B. Govindarajan, M.D., Eicher Motors Limited and CEO, Royal Enfield; and Ms. Vidhya Srinivasan, CFO, Eicher Motors Limited.

I'll now hand over the call to the management for opening remarks, post which we'll begin the Q&A. Over to you, sir.

**Siddhartha Lal:**

Hi. Good evening, everyone. This is Siddhartha Lal here, and welcome everyone to Eicher Motors Limited earnings call for the third quarter ending December 31st, 2024. This has been a landmark quarter for us at Eicher Motors with significant milestones and strong performance across both Royal Enfield and our joint venture with Volvo VE Commercial Vehicles Limited. We've recorded our highest ever quarterly revenue EBITDA and profit after tax in this quarter.

Starting with Royal Enfield. We've had an incredible few months. And our commitment to pure motorcycling has translated into strong domestic growth, making this our best ever quarter. We launched 2 very special motorcycles, the Goan Classic and the Scram 440, both rooted in authenticity and purpose-built design.

The Goan Classic introduced at Motoverse, which is our annual event in Goa, is inspired by the free spirited motor culture of Goa and a place that's long been a haven for riders and for Royal Enfield as well. The upgraded Scram 440, first unveiled at Motoverse 2024, was launched now and is an adventure tourer crossover, built for those who want a motorcycle that's fun in the city as well as on the trails. So it's multipurpose that way.

This quarter also marked a defining moment in our journey towards the future of mobility. We took our first steps into electric mobility with the debut of our EV brand - Flying Flea and the progress in delivering our promise. Beyond our product launches, one of the highlights was the 14th edition of Motoverse, where we had nearly 10,000 riders that came together to celebrate the spirit of motorcycling. It was a powerful reminder of the vibrant community that we have at Royal Enfield, and that fuels our journey towards a way forward.

And as part of our social mission to support 100 Himalayan communities, we concluded our first ever edition of Journeying Across the Himalayas, which is celebrating the region's natural beauty, culture and traditions through artwork, photography, installations, highlighting the deep connections between its ecology and people.

Moving to VECV now. We had a strong quarter as well with market share gains across the board, across business segments. We just concluded our exciting participation in Bharat Mobility 2025 at VECV, where we showcased a wide range of alternate energy products, including electric buses and trucks and new small commercial vehicle platform, Eicher Pro X. Overall, the performance at Eicher Motors Limited has been superlative, and we've registered record-breaking performances of best ever across revenue, EBITDA and PAT.

So coming to the financials, our consolidated financials for Eicher Motors Limited for third quarter FY 24-25. EML clocked its best ever Q3 revenue at INR4,973 crores, marking a growth of 19% over Q3 last year. Our EBITDA is at INR1,201 crores versus INR1,090 crores last year same quarter. And EBITDA margin stood at 24.2% against 26.1% last year. Profit after tax is at INR1,171 crores, which includes INR164 crores of share of profit from VECV for EML, up 17.6% from INR 996 crores last year.

I'd also like to take a moment to briefly tell you about some key leadership transitions that were approved at the Board meeting today. The Board has appointed me, Siddhartha Lal, as the Executive Chairman of Eicher Motors Limited. Vinod Aggarwal has been appointed as Vice Chairman, Non-Executive of EML, and that's of course, in addition to his continuing role of Managing Director and CEO of VE Commercial Vehicles Limited, our joint venture with Volvo.

B. Govindarajan has been appointed as Managing Director of Eicher Motors Limited, while, of course, continuing as CEO of Royal Enfield. Additionally, we have appointed Ira Gupta and Arun Vasu, they have been inducted on Eicher Motors Limited Board as Independent Directors.

We're also bidding farewell to our Chairman of 25 years, S. Sandilya, who steps into retirement. He has been with Eicher Group for 50 years, so over around 5 decades and has really been a guiding force at Eicher, shaping the company to what it is right now. And he's had a huge influence on our culture and our performance.

On behalf of all of us at Royal Enfield and VECV and Eicher Group, I express my gratitude to Mr. Sandilya and wish him all the very best for his new chapter in his life. We also like to thank Manvi Sinha, who retires as Independent Director after the completion of her tenure of 10 years. Manvi has also had a great impact on the EML Board, and we wish her all the very best.

And yeah, I'd like to heartily congratulate the next 2 speakers, both Govindarajan and Vinod Aggarwal, on their expanded roles at Eicher Motors Limited, and look forward to their leadership, their support, their experience in driving EML forward to the next phase of growth. I now hand over to Govindarajan to take us through the business highlights for Royal Enfield. Thanks. Govind, over to you.

**B. Govindarajan:**

Thank you, Siddhartha. At Royal Enfield, we continued our strong growth momentum with exceptional performance in the third quarter. During this quarter, we sold 2,69,039 motorcycles, which is up by 17% on Y-o-Y from Q3FY24 basis. And in India, we sold

2,41,971 units, up 13% from Q3 of last year. While our volumes are steadily improving, the premium more than 125cc segment itself is also showing witness of healthy growth. We have had a strong retail growth of 7% in the sales of motorcycles in FY25 (Apr-Dec); (12% during the festive period) in India. And Q3 has seen the highest ever domestic retail for Royal Enfield.

In the international markets, we shipped 27,068 units in Q3, an increase of 71% over the last year. Based on the strong groundwork we laid in the first half of 2024, and detailing and planning our launches, strengthening our operations, refining our market approach, ensured we're all well positioned for the months ahead. With the right products, promotion, pricing and presence, we created the perfect momentum, leading to our best ever festive season and a historic milestone for Royal Enfield.

Even as the industry volumes slowed down, we recorded positive growth. It's a testament that our existing and the new motorcycles, which we launched, is continuing to perform very well. Some of the recent launches like Bear 650, Goan Classic 350, Bullet Battalion Black has done very well, very well accepted by the community. And each motorcycle that represents what Royal Enfield stands for, pure purpose-built motorcycling.

The Hunter 350 crossed a milestone of 500,000 sales, cementing its place as one of the fastest-growing motorcycle globally. That reflects its versatility appeal across the diverse markets. I'm also excited about the progress we are making in electric mobility that Sid spoke about. At CES in L.A., we announced our collaboration with Qualcomm Technologies, a key partnership in delivering advanced connectivity to our customers. There's an incredible response for that.

We are also preparing to launch the limited edition Shotgun 650 in collaboration with ICON Motorsports. It will be only 100 motorcycles, which will be available worldwide. It's a true collector's edition. It's a step forward in nurturing the global custom build community. Beyond motorcycles, we have expanded our retail presence with 2 exclusive apparel brand stores, one in Pune and other one in Gurgaon. These stores offer a premium range of riding gears, helmets and lifestyle apparel that combine safety, function and style.

At an operation, we inaugurated our first fully-owned CKD plant in Thailand, a milestone that further strengthens our commitment to the Asia Pacific region. Globally, we have maintained our market share in the key markets. Royal Enfield is a leading middleweight brand in the UK, Number 1 there and among top 3 in Europe, holding 8.5% of market share across several countries in the region. In the Americas, we hold an 8% market share. And in APAC, we have reached 9% market share in the middleweight.

This quarter, we also had Motoverse 2024. We had nearly about 10,000 attendees, of which 69% of the people are first-time riders into the motorcycle festival. We took the REOWN, which is the second-hand motorcycle, used motorcycles of Royal Enfield to the next level by expanding to almost 256 cities across India, making pre-owned motorcycle transaction smoother and more accessible for our consumers.

We have a great start at awards and our motorcycles have received great recognition. Guerrilla 450 got the Premium Motorcycle award from Motoring Awards and Apparel Brand of the Year. We also got the Manufacturer of the Year and Viewers' Choice, the Goan Classic. Classic 350 is the most Googled bike by Acko Drive. Internationally, Royal Enfield's Bullet 350 won the Gold Award in the Foreign category at the 2024 Japan Bike of the Year Award.

On our environmental, social and ESG journey, we have made tremendous progress. Our Vallam plant has been awarded as the Sustainable Factory of the Year by Frost & Sullivan IMEA Manufacturing Excellence Award. Eicher Motors continues to feature among the leading automakers in the Global Corporate Sustainability Rating in S&P and DJSI assessment for 2024. Eicher Motors is among the top 30th percentile in the global autos.

We also maintained our position as #8 out of the 90 in global autos in the Sustainalytics ESG ratings. With several launches and initiatives which are lined up, we are well prepared for our growth journey in India and global markets. With that, now I'll hand it over to Mr. Vinod Aggarwal, MD and CEO of VECV, to take you through the VECV performance and updates. Over to you, Vinod.

**Vinod Aggarwal:**

Thank you, Govind. I will start with the industry updates. In quarter 3 financial year 2025, total commercial vehicle industry in the relevant market segment declined by 1.7% year-on-year to 1,17,161 units. This was primarily due to softer HD trucks and LMD truck segments, which contracted by 5.4% and 4.4%, respectively, and a 1.4% dip in the 3.5 to 5-ton range. The drop in truck sales is attributed to lingering softness post Union Elections and the uneven monsoon in many parts of the country.

In contrast, bus demand remained very strong with HD bus surging 30.8% and LMD bus rising 10.7%, lifting the overall bus volumes by 17.3%. Exports total industry volume grew a modest 0.3%, reflecting geopolitical challenges impacting many markets.

Now moving to the VECV performance in quarter 3, in this context, VECV delivered a strong performance, recording its highest ever quarterly and YTD sales with 21,012 units in quarter 3 of financial year 2025, surpassing the previous record of 20,706 units in quarter 3 of financial year 2024. This performance was driven by strong performance across key segments. Eicher performed strongly in the LMD truck market with a 36% market share. Q3 sales, 9,702 units despite a marginal volume margin drop.

In the heavy-duty truck segment, Eicher sold 5,428 units, 8.9% market share, while combined, the heavy-duty sales market share of Eicher and Volvo stood at 5,964 units at 9.7% market share, reflecting competitive resilience despite sectoral challenges. VECV's bus business performed very well, posting its highest ever Q3 sales of 3,749 units, up 10% year-on-year, with a 20.7% market share, supported by robust demand for LMD buses, 3,151 units plus 12.3% growth year-on-year.

Reflecting our growing service and parts network, VECV parts business also hit a quarterly record with sales of INR708 crores with a growth of 25.6% year-on-year. Exports surged 44.5% to 1,192 units despite disruptions in South Asia. YTD VECV total volumes grew 2.8%

to 61,488 units with market share in more than 3.5-ton segment, including exports growing to 18% vs 17.2% in financial year 2024.

EBITDA margin, excluding OCI onetime income for the quarter grew to 8.8%, growing 0.8% over the same quarter last year, reflecting better cost management and pricing discipline. At the recent Bharat Mobility Global Expo 2025, we launched our small commercial vehicle in the 2 to 3.5 ton segment, the Eicher Pro X. The Eicher Pro X is launched electric first. Deliveries to the customers will begin shortly.

Coming to the financials for VE Commercial Vehicles, third quarter financial year 24-25, VECV revenues rose to INR5,801 crores, up 5.8% from INR5,483 crores. EBITDA margin at INR509 crores, up 16.6% from INR437 crores of Q3 of financial year '24. EBITDA margin as a percentage to net sales is at 8.8% as against 8% in Q3 of 2024. Profit after tax (Non OCI) at INR301 crores, up 44% from INR209 crores of Q3 financial year '24.

I now hand over back to Siddhartha for any last remarks.

**Siddhartha Lal:**

Yes. So we've had a great performance in quarter 3, and that's put Eicher back on a really strong growth trajectory. And I'm sure we'll carry this forward momentum into quarter 4 as well. Our trust on priorities and objectives continues to be in line with our overall strategic vision, and we're confident that we'll build on this strong growth momentum.

So thank you all for joining the EML's earnings call, and we now move over to the question-and-answer session. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "\*" and "1" on their touch tone telephones. If you wish to remove yourself from the question queue, you may press "\*" and "2". Participants are requested to please use handsets while asking a question. Ladies and Gentlemen, we request you to please restrict your questions to 2 per participant. You may rejoin the queue for follow-up questions. We will now wait for a moment while the question queue assembles.

**Moderator:**

The first question is from the line of Kapil Singh from Nomura. Please go ahead. Kapil Singh.

**Kapil Singh:**

Hello, Can you hear me

**Moderator:**

You are audible, sir.

**Kapil Singh:**

Ok yeah thanks for the opportunity and congratulations on a strong set of numbers. Sir, I first wanted to understand if you look at the quarterly performance, it looks like the strategy that we outlined seems to be playing out well. We had come out with some new variants and there seems to be a pretty big response from the customer.

So is this -- I just wanted to understand how you are thinking about this? Is this something that you intend to continue? Was this a temporary action? And then we've seen some sharp increase in other expenses in particular. So if you could just help us understand, are there any nonrecurring items or these are normalized business expenses?

**B. Govindarajan:** Yes, Kapil, Is this question for Royal Enfield I suppose

**Kapil Singh:** Yes yes

**B. Govindarajan:** So, Royal Enfield during the festive season, we really did very well. And in this quarter, we - our retail has grown by almost about 19%. Our product actions, which we have taken on the Classic 350, Bullet Battalion Black and all the new launches with, as mentioned in the last call also, about the elevated marketing campaigns and our inventory build-up preparatory for the festive season, everything worked very well.

As I mentioned, it is ours is a growth focus. So all our actions in the company will be aligned around the growth. We have to, all the new products which are launched, all the brands which are to be supported, so that activity will continue. Even in the month of January, it has been very good. Wholesale growth for the middleweight motorcycle industry was almost about 7% in April to December '25 despite all the noises and the new entrants.

We will be continuing to focus on expanding the middleweight segment and strengthening our product positioning in the markets. We will ramp up our brand awareness for Classic 650, Goan Classic and Bear 650 and Guerrilla 450, which are all in our focus. Yeah, we are also building and scaling up our initiatives like REOWN, assured buyback, which are all gaining traction.

The motorcycle industry, as such, has seen a muted growth after the festive period, but the middleweight segment has been sustaining the growth. And we believe we can outgrow the motorcycle industry in the long term, and that's where our actions are all aligned. About the onetime expenses, maybe, Vidhya?

**Vidhya Srinivasan:** Yeah. I think other expenses, to your question, we had 5 major launches in Q3 of this year. We had Bear 650, new Classic 350, Bullet Battalion Black that BGR talked about, the Classic 650, Goan Classic, against one major launch in last year's Q3. Apart from that, we also had an EV brand launch. We unveiled the Flying Flea brand in EICMA this year and also several regional activities in Europe against building the brand.

So approximately, we've had about INR70 crores incremental spend in Q3 for launches as compared to the previous year. Out of that, almost INR20 crores is towards the EV brand launch and events. I think apart from that, we also spent a little bit additionally on on-ground marketing activation of about 0.9% this quarter versus last year. So I think that basically explains the mix of our big swing in our other expenses. I guess your question is, yes.

**B. Govindarajan:** Around that cost. So it's one time, yes.

**Vidhya Srinivasan:** Some of it is onetime, yeah.

**B. Govindarajan:** I hope that answers, Kapil.

- Kapil Singh:** Yes, sir. Understood. And just the second one is on VECV. We've seen pretty strong margin expansion over there. So very strong growth in EBITDA. So any more details you can share like what was the driver for margin expansion over here and if it's sustainable?
- Vinod Aggarwal:** No, it's fundamentally better cost management and better price management. There is no specific reason otherwise.
- Kapil Singh:** Ok ok thank you, sir. That's all. I will come back in the queue.
- Moderator:** Thank you. We have the next question from the line of Aryn Pirani from JPMorgan.
- Aryn Pirani:** Yes. Thank you for the opportunity. I had a question on exports. Obviously, you have seen a very strong recovery in exports, but partially, the last year's base was also impacted because of a lot of headwinds in the individual markets. Can you give us some context of how the markets are doing? Because we had a phase in which Europe was going through a tough time for the market itself. US was having its own issues. Also, if you have some views on this tariff-related concerns, which are building up. So how are the individual export markets doing, if you can give some context?
- B. Govindarajan:** Hi Aryn, you know last year, you all know we talked about the inventory corrections and all those things. This year, for us, the international market performance has been very good. We have sold around 70,000 units in international markets from April to December '24. That's almost about 35.5% growth for the last year. More importantly is the retail growth has been very good. It is tracking ahead of the wholesale throughout the year.
- Now the focus is more and more on retails. It's almost about 8%, 9% higher than the wholesale. Markets which are leading the growth are UK, Brazil, Italy, Europe and North America. We have seen, we have also started Bangladesh, and we have also done the CKD, and we opened one of the largest flagship store in Dhaka. So we are also entering into the new markets.
- As I always mentioned, international markets, we are cautiously optimistic. Though there are - the sentiments are slightly weaker, we see our positions are getting cemented over the period of time. In the coming year, our focus will be more on the brand building. And in some markets, we are taking over direct entry through our subsidiaries and all those things because we see it as a good market for us in the long term.
- So as of now, the international market is, it is doing well. Not that the macros are behind, but we are going slowly and steadily, and our progress has been very good, Aryn.
- Aryn Pirani:** That's good to know. Just on the Thailand CKD plant, any broad sense as to what kind of capacity we're looking at? And what is the kind of annual potential for you in that market? And also an update on what's the CKD capacity in Brazil? I think you were going to expand that as well. So some recap there would be helpful.
- B. Govindarajan:** Yes. So Thailand, CKD is - I mean, we signed up with a third party almost 3 years back. Now we have understood that the market is good. And for future, we have to have our own set up



because the depth of manufacturing also has to increase. So we have gone ahead with our own manufacturing facility.

That facility is scalable. As of now, we are operating only in one shift, which can deliver almost about 5,000 to 7,000 motorcycles a month because we are also looking at that base from there, what are all the other markets which have an FTA, which can be made use of.

So it's under exploration. There are finer details which are being worked out. But as I mentioned, it is scalable because the depth of manufacturing is not very high in Thailand. So to that extent, speed at which we wanted to do to scale up will be higher. That's about Thailand.

And Brazil, which you have asked, so we actually gone in for the second CKD plant, and that is almost in the final stages. The market is good. So at some point of time, because of the quota non available, we put the expansion on hold.

Now with our CKD facility, which are coming up, and now we are looking at slowly opening the retail outlets also. So we are bullish about that market in time to come.

**Amyr Pirani:**

Ok thanks for that. I will come back in the queue.

**Moderator:**

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

**Pramod Kumar:**

My first question is regarding the growth versus profitability pivot. So we clearly have made a transition focusing our pivot towards growth. And I think we've seen the benefits of that in the festive season. But just trying to understand, have we found the right balance in terms of the value proposition to the customers and the marketing effort? Or is there more to this as we kind of go forward?

I'm just trying to understand where will the marketing efforts and the other market-driven activities will kind of settle? I'm just trying to get a directional trend, are we kind of satisfied with the balance between volume growth and margins what we have currently seen in the quarter adjusted for the one-offs, of course? So just any thoughts on that, Govind, Vidhya, you would say, please, that would be very helpful.

**B. Govindarajan:**

So Pramod, as an organization, as we have been saying, we are a growth-focused company. And all the products which we are launching, we are actually adding value back to the products. We haven't increased the pricing. We were ramping up our brand building activities and the market activations during this time because that's where we felt we have to do more work on all the new products which are launched.

Like Classic 650, Goan Classic, Bear 650 and the 450cc Sherpa engine platform Roadster, the Guerrilla, which is an outstanding motorcycle, all those motorcycles, we have to do the brand building activities and the market activation. So that will continue. So it's -- as we are adding value back to the product and the marketing activation and support, which we have to do and brand building activities, growth is the focus.

So now specific to the profitability, we always have been mentioning “profit absolute pool” is what we have to look at.

**Pramod Kumar:** Okay, so yeah. Okay, Govind, but I'm just trying to understand, have we found the right balance is what I'm trying to get at. Are we satisfied with the kind of efforts we've put in and the result of what we got in terms of the market response or the consumer response?

**B. Govindarajan:** Yes. We have to constantly keep looking at how the market dynamics is and which are all the areas, which product has to be looked at and support has to be done. So the balance is not that we have one answer for it. As growth focus requires, from time to time, we'll keep doing that.

**Pramod Kumar:** And the second question is on the demand response, Govind, because we've been kind of seeing weak demand for the last few years, of course, outperformed in the motorcycle category. But yes, generally, there's been a bit of a sluggish demand going into the season and all of a sudden, the demand came in.

So I'm just trying to understand what you were trying to do: a bridge of where demand was on a monthly basis before the festive or the market share before monthly -- before festive and where it is today, could you just help us understand how much of this is led by existing inquiry converting to actual purchase?

And how much of this is kind of win back from competition? What was there in terms of some bit of confusion in the minds of the consumer with so many brand launches, right? So if you can just help us break down the components, and also how many of them are new customers, which are helped by your additional reach on the semi-urban, rural side?

And any color on the regional performance? At different regions, how they have responded during the festive season? And also, any final thoughts on how you're seeing demand post festive because January was very strong.

There could be a year-end phenomenon there. But how are you seeing demand as you stand today based on all the inputs what you have on walk-in inquiries to all those inputs what you have?

**Moderator:** Thanks, Pramod.

**B. Govindarajan:** Yes. Too many questions you put it in one thing Pramod, but let me just try to address. First is across the funnel from inquiry till up to the conversion, through this inquiry, bookings and then wholesale and retail, everything, we have been consistently growing during the last quarter. In fact, in the last quarter, we reached a market share of almost about 10.5% in the 2-wheeler industry in motorcycles.

What is happening, as I mentioned in the last call also, is that we will start looking at product by product, which requires a market support on our brand-building activities. We will up the game in that area. That's what exactly we did. We also found in the markets during the festive season what sort of an inventory which we have to keep, that we activated.

Our Classic, Battalion Black, all those products, whatever the market activities which are to be done, that also has been supported. So all put together, it has actually really worked. And now there is a positive momentum, which I'm seeing, and that's why you also mentioned January also has been the growth. That's continuing.

In time to come, there will be more market activation work, which we will continue because some of the brands like Guerrilla and all, we have to do a bit more work in the brand awareness itself. And Hunter, we will be doing some activities. There are some new products which we have lined up. So we are positive about the growth continuing as of now.

**Pramod Kumar:** Thanks a lot, Govind. I will join back in the queue.

**Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from Bank of America. Before you go ahead and ask your question. Let me remind participants that they may press “\*” and “1” to ask questions. Gunjan, you may proceed.

**Gunjan Prithyani:** Thank you for taking my questions. I just wanted to clarify the onetime impact, Vidhya, that you called out. It's INR70 crores, which is to do with the launches in EV, and you mentioned 90 basis points additional. Is that understanding correct, both your 90 basis points and 1.4 percentage points, which is INR70 crores, both of these are nonrecurring as we look into the next couple of quarters? Is that understanding correct?

**Vidhya Srinivasan:** Let me just clarify. INR20 crores out of the INR70 crores is on account to EV, okay. And obviously, this is based on the launch intensity, and if we have more launches, there will be some launch spend. I mean, but yes, broadly, that is the way to look at it.

0.9% is what we've spent on on-the-ground marketing activation. During the festive, again, like I think BGR has pointed out earlier, there could be, depending on, our focus is on growth, and therefore, we keep looking at our marketing intensity from time to time, yes?

**Gunjan Prithyani:** Okay. That's clear now. And the other follow-up around this I had was that, of course, you've done a lot of value addition in terms of your Battalion Bullet and Classic also. And there were no price hikes taken on those. So is there any pricing intervention that we took towards the end of the quarter or something that is due as you see the response to these interventions quite positive?

And while you cover the price hikes, if you can also talk a little bit about OBD related impact that you may see in the next couple of months?

**Vidhya Srinivasan:** I think as far as Bullet Black or we haven't taken any pricing interventions towards the end of the quarter. As you know, we don't really comment on any pricing actions that we might take in the future. But I think one thing I would want to say is that given the growth that we have seen in Bullet, in spite of the fact that we were muted in terms of , I mean, we've invested in the product, overall our GC has grown as far as across the Bullet family.

**B. Govindarajan:** And we'll continue to add value back to the consumers on the product. That's the focus.

**Gunjan Prithyani:** Okay. Okay, got it. And just going back now to the growth question. Bullet and Classic clearly has seen a pretty good momentum over the last couple of months. If I see Bullet, we are going back to the FY'18 numbers that we used to see. Now in terms of the brand potential, that is with Bullet and Classic, if you can talk a little bit more how do we or do we see more upside to the bullet run rate than we're seeing right now?

And secondly, on Classic again, we are way off from where the peak volumes used to be back in fiscal 18. So just trying to understand, do the interventions that you're making right now give us confidence that there is a huge potential left with these brands, both of these?

**B. Govindarajan:** I think, Gunjan, you referred 2018. In 2018 time, the product which we had, Bullet 350 and Classic 350, we moved on to the J-platform. That is one action which we have done. And Battalion Black, you all have seen we have launched it. The response has been very good. Primarily, where the market, where the bullet was very strong, in that market, the Battalion Black got accepted very well. Now we are also opening to the other parts of India.

Classic, it's a year of classicism, which we want to celebrate. We are doing a lot of activities around Classic. If you remember, we did the factory customs on the Classic as a special. So a lot of activities and the Goan Classic, which we launched. So the Classic whole family, there's a lot of activities which are happening.

And the love of Classic is also back. Consumers started really liking the new Classic and the colorways, which we have launched. So I do see in the future also the love is continuing. But we have to support it, which we will continue to do through market activations.

**Gunjan Prithyani:** And Govind, on the inventory side, this last question is, is that sorted now? We were in a stock out situation. Where would the inventory levels stand now at an overall level, channel inventory?

**B. Govindarajan:** Go ahead.

**Vidhya Srinivasan:** So Gunjan, I think the stock out situation only because during the festive season, we had such a strong sale during October that there were a few areas where some of the colorways and some of the models kind of got out of stock. We have stocked back up. I think we are back to our regular inventory levels.

**B. Govindarajan:** We have 2 to 3 weeks...

**Vidhya Srinivasan:** Yes, 2 to 3 weeks, yeah.

**B. Govindarajan:** Some colors and SKUs, which we have to match because as Vidhya was mentioning, during the festive time, I mean it was positive. So some stock-out situations of a few SKUs has taken place. Now the plant team is gearing up to fill that back because we have gone with the replenishment model to extract the full efficiency and support the dealer community also. It is working really well.

**Gunjan Prithyani:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

**Mumuksh Mandlesha:** Yeah, Thank you for the opportunity. Sir, firstly, to Vinod sir, on the CV industry outlook. So how do you see the Q4 quarter? And just on next 6- to 12-month perspective, can you share how do you see the industry growth?

**Vinod Aggarwal:** If you look at the overall industry, first 9 months have been sort of a stagnant and a little bit marginal drop around, I think, 2% to 3% drop. However, going forward, we are very optimistic. The reason being that if you look at the capital expenditure trends of Government of India, first 9 months, they have spent around, on an average, every month, INR72,000 crores. And based on the current plan, this last quarter, I think the expected spend is going to be around INR92,000 crores, INR95,000 crores per month. And that will be a similar spend in the next year as well.

So therefore, based on this increased spend, we are expecting that there will be good demand in quarter 4. And otherwise also with all the better money, which is going to be available in the hands of middle income groups with the better taxation, with the taxation relief, I think there will be some better consumer spends, which will have a clear circular impact on the entire economy, leading to more consumption and then more movement of goods and services. So therefore, we are very positive that the commercial vehicle industry next year should do better.

And of course, our overall expectation on the GDP growth continues to be more than 6%, around 6.3% or 6.5%. And replacement demand is also going to remain very strong. Interest rates, which have been cut recently by the Reserve Bank of India, 0.25%, that will also have a positive impact on the overall financing rates. So therefore, I think commercial vehicle industry, based on all these fundamental factors, should do better.

**Mumuksh Mandlesha:** Got it, sir. And just on how is the inventory situation in the CV industry, and how is the discounting going, sir?

**Vinod Aggarwal:** As far as the inventory situation is concerned, inventory is quite healthy. I can't talk of the inventory in the industry. But of course, as well as our inventory is concerned, we are quite healthy, and we are within our norms on the inventory. As far as the discounting is concerned, this is steadily improving only. So price management are getting better. More and more realization is there with everyone that the discounts are not good.

So therefore, the discounts are also not sustainable in the long run. So therefore, we are expecting that the discount levels should continue to drop.

**Moderator:** Got it, sir. Sir, the next question is to Govindarajan sir. On the EV launch pipeline, sir, we have this Flying Flea and the Stark collaboration. Just want to understand what's our time line for the launches for these brands?

**B. Govindarajan:** So on the Flying Flea, which is the City Plus electric motorcycle, that's a brand from Royal Enfield, we unveiled the FF-C6 and the scrambler FF-S6, both the versions. There's a lot of

activities which are happening. Around the first quarter of 2026 will be the time wherein we will be hitting the market.

**Mumuksh Mandlesha:** Got it. And for Stark partnership, any plan to launch the product?

**B. Govindarajan:** Stark is actually a strategic investment from Eicher Motors. Primarily, it is all about helping each other and understanding. We get the help from Stark in terms of lightweighting, modularity design and pushing the envelope of the innovations which we can bring in into the motor controller, battery controller and the integration in the whole vehicle. That's what we are actually learning from them.

And also, for Stark, because we are good in the scale, supply chain operations, we support them in that. So that's the kind of a collaboration which we do. There is no such product which we are working around to bring it to the market immediately.

**Mumuksh Mandlesha:** Got it. And for Flying Flea, sir, what kind of production capacity initially we would have, sir?

**B. Govindarajan:** I think, we are currently our Flying Flea will be manufactured out of our Vallam plant. So we are building a capacity which, we have mentioned, is almost about 1.5 lakh per annum. But that's all scalable because that's a vehicle assembly line, and we will go modular. And we always have looked at that we won't put a heavy capex onto this.

We will go modular and that's what we are good at. Even for Flying Flea, depending upon the market situation, we will keep improving whenever it is required.

**Mumuksh Mandlesha:** Got it, sir. Sir, next question is to Vidhya Ma'am. Just on the gross margin, this quarter sequentially, there was a fall in the gross margin. Is it due to mainly the mix of the products?

**Vidhya Srinivasan:** I think you've kind of answered my question. But basically, I think there are two things essentially because of product mix. We've talked about some of the opportunities that we've done from a Battalion Black standpoint or even in Classic 350 where we've tried to make it not to impact on customers, and we've also not increased our prices. So I think that's what and the product mix, that's what is resulting in the gross margin. But on an absolute level, gross margin has increased obviously.

**Mumuksh Mandlesha:** Got it, got it. Understood. And just lastly, on the capex side, how was the 9-month capex for the Royal Enfield and VECV? And what is the guidance for the full year?

**Vinod Aggarwal:** I think in the beginning of the year, we announced that we will have the capex of around INR1,000 crores for the full year. So we are on track. And we are likely to be around INR1,000 crores for the full year.

**Moderator:** Sorry to interrupt, we request you to please re-join the queue. You may ask your questions once you're asked again, sir.

**Mumuksh Mandlesha:** Sure, Thank you.

**Moderator:** Thank you. We have the next question from the line of Jinesh Gandhi from Ambit Capital.

- Jinesh Gandhi:** My question pertains to exports. So in export market of all the new product launches which we have done in the last 12 months, which models are yet to be launched in some of our new export markets?
- B. Govindarajan:** Well, product in an export market, there will always be a lag, Jinesh. So for example, Himalayan, we are just launching in Brazil. Guerrilla we have just launched at an APAC region. So it's all the products in this quarter, most probably will be launch completion in all the international markets.
- Jinesh Gandhi:** Including the Classic 650s and Goan 650?
- B. Govindarajan:** Yes, all the products.
- Jinesh Gandhi:** Got it. And secondly, this Thailand CKD, which we are putting up, this will be also from export to European market as well given the FTA Thailand has and in that context what kind of advantage does Thailand offer to us from that perspective? What is the that yes, sorry, go ahead.
- B. Govindarajan:** But first is that particular market have to be taken care. So we have to get that right. So we have established the base there and the FTA is being studied by our team, whatever the ASIAN markets first, then we'll parallelly look at on a TCO basis, what makes a sense, whether to send the full container from India to Europe or from Thailand to that place, that study is on and maybe coming year, we will see. If there is a merit to that, we will review it. Otherwise, currently, Europe will be going only from Chennai plant.
- Jinesh Gandhi:** Okay. But any sense of what would be import duties on our bikes in Europe?
- B. Govindarajan:** Sorry?
- Jinesh Gandhi:** What would be import duties on our bikes in Europe?
- B. Govindarajan:** 5%. It's about 5%.
- Vidhya Srinivasan:** Yes.
- Jinesh Gandhi:** Hello?
- B. Govindarajan:** It's about 5%.
- Jinesh Gandhi:** 5%, okay. And lastly, Vidhya, the tax rate for the quarter was below 22%. Is that a normalized rate? Or we should see going back to 23%, 24%?
- Vidhya Srinivasan:** 24% to 25% is the rate.
- Jinesh Gandhi:** 24% to 25%, got it, got it. Thanks and All the best.
- Moderator:** Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand. Please go ahead.

- Sanjaya Satapathy:** Sir, my question is can you give us some indication of what is the sustainable margin from hereon?
- Vidhya Srinivasan:** What is the sustainable margin from here?
- B. Govindarajan:** No, we don't give.
- Vidhya Srinivasan:** We really don't give guidance. You know that.
- Sanjaya Satapathy:** I'm just trying to understand in the context of the numbers that you have called out in terms of the recurring and nonrecurring, if you can give us something?
- B. Govindarajan:** As Vidhya mentioned, some of the expenses because of the hump in the launches, that's one-time. And going forward, that's sort of a hump may not be so much. But we continue to have to spend on brand building and the mother brand Royal Enfield build an aspiration. So there will be marketing activation expenses, which will continue.
- But the hump may not be so much because these are all some of the products due to the COVID, which came up for the launches one after the other. So that sort of an expense will not be there. But marketing support activities and activation expenses will continue.
- Sanjaya Satapathy:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Omkar Rane from Emkay Global Financial Services. The current participant seems to have dropped from the queue. We will proceed to the next question, which will be from the line of Jay Kale from Elara Capital. Please go ahead.
- Jay Kale:** Yeah, thanks for taking my question. So my first question is, again harping on the earlier question, what would you see in your endeavor of balancing profitability versus growth? If I look at the EBITDA per vehicle also, it is kind of a 7-quarter low. So I'm just thinking from a management perspective going forward, are you looking at sustainable margins when you balance profitability versus growth? Are you looking at EBITDA per vehicle growing from here?
- Because despite the high volumes, we've not really gotten the absolute operating leverage benefits, which were expected when you have a very high volume growth. I understand the bulky expenses, but the marketing expenses, like you mentioned, are going to go ongoing. So how do you -- what is your target in the sense that to grow EBITDA per vehicle sustainably or margins or how should one look at it?
- B. Govindarajan:** See, if growth is a focus, what does it mean when you grow is that, as we mentioned, we haven't increased the pricing because we have to be an accessible motorcycle. And we also wanted to add value back to the product, which also our consumers have been looking at from Royal Enfield. We are conscious of it. And we are the market leaders and we have the responsibility of continuing to grow, which is what we have done for the last one decade in India.



And now we are trying to do it outside India also, the middleweight. So we have to do more activities around that in promoting the motorcycling as a culture and around that surround systems of the motorcycling. So there will be expenses which will continue. What one have to look at is not to look at an absolute percentage.

The growth has to be looked at on an absolute value, which we will actually get out of the overall revenue and also on the EBITDA overall. That's how we should look at it, not on the percentage alone.

**Jay Kale:**

Understood. Yes. Just one more on your gross margin. So you mentioned that this is mainly because of mix. So how would have commodities moved in Q3 versus Q2? And going forward, how are you seeing the commodity projected?

**B. Govindarajan:**

Commodity has been largely stable. It was not a headwind, though steel and aluminum had some uptick here and there, but our value engineering has been offsetting all those things. We are studying how it does with the entire situation across the market on the commodity movement and all those things.

We will know in this quarter because we are into an SBP cycle. So during this cycle, we'll once again be looking at how the inflation is, how the commodity is moving and accordingly what actions to be taken.

But as I mentioned, all these platform changes activities which are done, first is we have to land the value to the consumer. That's what we have done. Now the focus on all these products on the value engineering also will start.

**Jay Kale:**

Understood. And just one last question. With this intervention of Battalion Black pricing, et cetera, how have you seen your customer profile change? Has there been an increased proportion of first-time buyers coming into RE or the upgrader's contribution has increased? And in that context, how has your RE to RE replacement growth panned out?

**B. Govindarajan:**

Look, I think Battalion Black, we launched it into the market because when we launched Bullet on the J series, which was the last transition on the J-platform, the market came back, especially on the area where the Bullet was loved and looked at it in a different context. And they were looking at a few changes which are required.

As an organization, we quickly went back and then we brought the Battalion Black. In those markets, especially Delhi, Punjab, Chandigarh, Haryana, and part of UP, the market has come back, dealers are happy, consumers are happy. And now we are also opening up to the rest of India.

As far as the first-time buyers which you were talking about, our first-time buyers is almost, what, about 18%, 19% now. So that's what is the share of first-time buyers. Upgrading cycle, as I've been always saying that we are waiting for that moment to click in. And that's why REOWN brought in. And we are almost there at about 234 towns now.



We are slowly bringing in awareness about the upgrade to our consumers. So we are setting the base when the moment clicks in, at least we can start getting into that journey faster so that the base is being set as of now, Jay.

**Jay Kale:** Thanks and All the best.

**Moderator:** Thank you. The next question is from the line of Aryn Pirani from JPMorgan. Please go ahead

**Aryn Pirani:** Thanks for the opportunity. Most of my questions have been answered. I just wanted to ask regarding this OBD2B. Obviously, we'll wait for your price hikes and all. But any broad context as to what is the kind of cost inflation that we might see because of this? And should we be prepared for any wholesale corrections that you might do as you are ramping up or ramping down the older vehicles and the newer vehicles?

**B. Govindarajan:** So Aryn, maybe I'll answer the second one first. For every transition be it from BS-IV to BS-VI, we are a company, we were not started with any of the hold inventories. We haven't gone in that. We'll always be conscious in transition. And so as even OBD2B, the transition is well planned, and we have tested, kept everything ready.

Yes, you all know there will be some amount of cost increase due to OBD2B, which will be there, but we haven't decided what the price increase should be or shouldn't be because that's future looking, that we have to wait for some time.

**Aryn Pirani:** Ok. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as a last question for today. I would now like to hand the conference over to the management for closing remarks. Over to you, sir.

**Siddhartha Lal:** All right. Thank you so much for joining the call and look forward to talking to you next quarter. Thank you. Bye-bye.

**Moderator:** Thank you. On behalf of Eicher Motors Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.