



“Eicher Motors Limited
Q2 FY '26 Earnings Conference Call”
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MODERATOR: **MR. MUKESH SARAF – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to the Eicher Motors Limited Q2 FY '26 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Mukesh Saraf: Yes. Thank you, Slok. Good evening, everyone. Mukesh Saraf here from Avendus Spark. Appreciate everybody logging into this 2Q FY '26 earnings call of Eicher Motors. From the management team, I'm pleased to host Mr. Vinod Aggarwal, Vice Chairman, Eicher Motors Limited, MD and CEO, VE Commercial Vehicles Limited; Mr. B. Govindarajan, MD, Eicher Motors Limited and CEO, Royal Enfield; Ms. Vidhya Srinivasan, CFO, Eicher Motors Limited.

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

B. Govindarajan: Thank you, Mukesh. Hello, and good evening, everyone. I hope you all had a joyful and refreshing festive season. It's wonderful to have all of you join us today for the Eicher Motors Limited earnings call for the quarter ended September 30, 2025.

We have had a very busy and exciting few months with the new launches and some truly proud milestones. We continued the growth momentum forward in the second quarter with a solid performance. The festive season has been particularly very encouraging for us, driven by robust demand, record bookings and the sustained consumer confidence and a clear reflection of brand strength and the market trust we have built over the period of time.

Before we move on to the detailed business updates for Royal Enfield and VECV, I'll begin with a broad summary of the overall financials. Coming to the EML consolidated financials for the second quarter of the financial year 2025-26. EML revenue, clocked its best ever revenue at INR6,172 crores, marking a growth of 45% over INR4,263 crores from Q2 of last year.

On EBITDA, highest ever EBITDA for the quarter at INR1,512 crores versus INR1,088 crores in Q2 last year, marking a growth of 39%. Our PAT has been the highest ever at INR1,369 crores, which includes INR135 crores of EML share of profits from VECV, which is up 25% from INR1,100 crores, which included about INR114 crores EML share of profit in Q2 last year.

The strong performance was a result of an all-around growth across both for Royal Enfield and VECV. I'll first begin with the business highlights for Royal Enfield. This quarter at Royal Enfield was marked by a lot of product actions and refreshes that strengthened our lineup.

To make sure that our customers take home their favorite Royal Enfield motorcycle this festive season, we have put in considerable effort building a strong foundation and network laid in Q1. We launched 3 product refreshes, an expansive dealer network of more than 2,000 stores, which are in operation, and maximized our production capacity during this quarter.

The GST reforms by the Government of India have made motorcycles under 350cc more accessible and the customer's response is a clear testament to this during this window. During this quarter, we launched a refreshed Meteor 350 in India, which is now available in 4 variants and 7 stunning colorways. We also added some fresh energy to our lineup with a new Graphite Gray Hunter 350 and a Shadow Ash Guerrilla 450.

This festive season was truly an outstanding one for Royal Enfield. And with over about 2.49 lakh motorcycles we sold during the festive months of September and October, our best ever festive performance, we have achieved a milestone that speaks volume about our momentum and unwavering love riders have for the brand. From refreshed favorites like Hunter 350 and Meteor 350 to timeless icons like Bullet and Classic, our motorcycles continue to inspire and bring riders closer to the joy of motorcycling.

During this quarter, we sold 3,27,067 motorcycles as against 2,25,317 in Q2 FY '25. Out of this, in India alone, we sold 2,92,703 units. We continue to gain market share across board, particularly in the midsize motorcycle segment, where Royal Enfield has been able to continue its dominance at about 84% market share. Our focused strategy, combined with a strong product portfolio, marketing activations have helped us deepen our presence in this market during this window.

In our international markets, our volumes stood at 34,364 units during this quarter. We continue to maintain a strong growth momentum in retail volumes across international markets like Brazil, Nepal, Bangladesh. We maintained the leadership in SAARC markets ranked number 2 in midsize in U.K., number 2 in Argentina, Thailand, Korea and Brazil and number 3 in Australia, and number 4 in Italy and France.

This year at EICMA, we marked a significant milestone in Royal Enfield's legacy as we entered our 125th year of pure motorcycling, showcasing a glimpse of our vision and journey that beautifully represents the past, present and future.

We showcased some of our most exciting motorcycles yet, the special addition of Classic 650, the bigger and bolder Bullet 650, the Himalayan 450 Mana Black and Flying Flea S6, one of the lightest and the most advanced scramblers in the EV world.

On the customs front, we also showed the Shotgun and Rough Crafts, a limited edition collaboration that celebrates the spirit of custom building, something that's always been very dear to Royal Enfield. The response from the global motorcycling community has been truly,

truly overwhelming, and it's been wonderful to see how our blend of heritage and innovation continues to strike a chord with our riders everywhere.

A new Off-Road Collection, a purpose-built range of premium riding gear designed for off-road and trial motorcycling, has been unveiled. We launched Get In-Streets, a collection that blends Royal Enfield's iconic legacy with contemporary everyday wear inspired by travel, exploration and the spirit of motorcycling culture in our lifestyle and apparel space.

During this quarter, our Flying Flea, the City+ mobility brand endorsed by Royal Enfield, won the Red Dot Award 2025 in the Design Concept category for the Flying Flea C6. It's a proud moment that underscores our growing strength in design and future-ready mobility.

In the recently announced results of the Dealer Satisfaction Survey 2025, the Federation of Automobile Dealers Association called as FADA, Royal Enfield has been ranked number 1 in the 2-wheeler OEM category.

We continued our course to create a memorable riding experience for our community. We concluded the 14th edition of One Ride 2025, our marquee global ride. It was truly an incredible experience. Over 50,000 riders came together in more than 65 plus countries.

We announced the return of Motoverse 2025, our annual celebration of motorcycling culture in Goa scheduled from 21st to 23rd November 2025. This year's edition promises to be bigger and better. We invite all of you to join us in Goa.

Our commitment to responsible growth has always been rooted in strong governance, transparency and ethical leadership, and as a testament to this, I'm proud to share that Eicher Motors has won the Golden Peacock Award for Excellence in Corporate Governance 2025. This recognition reflects the culture of integrity and accountability we uphold across the organization.

We also won two awards at the Manufacturing Today for Excellence in Supply Chain and Excellence in Sustainability and Circular Economy. And currently, 98% of the energy used at plants has been from renewable sources. And these are all the updates from Royal Enfield.

Now I will hand it over to Mr. Vinod Aggarwal to talk you through the updates for VE Commercial Vehicles. Over to you, Vinod.

Vinod Aggarwal:

Thank you very much, Govind. I'm very happy to share that at VECV, we recorded our highest ever second quarter sales of 21,901 units exceeding our previous record of 20,774 units in Q2 of financial year 2025 with a growth of 5.4%. With this, our first half sales are now 43,511 against the earlier year's first half of 40,476 and we have achieved a growth of 7.5% in the first half.

And our revenue from operations on a standalone basis stood at INR6,106 crores versus INR5,538 crores. And our revenues for the first half are INR11,777 crores against INR10,608 crores in the first half of previous year with a growth of 11% in the top line.

We remain sharply focused on long-term value creation through product excellence, global ambition, and deep customer engagement. During the quarter, we launched Eicher Pro Plus light and medium-duty range with air conditioned cabins and upgrades to load more carrying capacity that addresses both driver environment and operator's economy, a win-win for both drivers and operators.

We also signed MoU with large charge point operators like Jio-bp pulse and Tata Power to provide Eicher trucks and buses customers access to 6,000-plus public charges, easing customer anxiety on range and access to charging infrastructure.

Digital & Services grew very well with My Eicher now supporting 1,62,000 customers with 3,75,000 vehicles, while VE Connected Solutions progressed on solutions for customers with mixed fleets.

I'm happy to note that we are having steady development across our businesses with VECV recording several best ever second quarter milestones. We are now at number 1 position in light and medium duty trucks with sales of 10,096 units in Q2 and a market share of 34.8% in this segment. With this, our first half deliveries stand at 18,706 in light and medium duty trucks versus 17,407 units during H1 of last year.

Our heavy-duty truck volumes grew 3.5% in Q2 in the same quarter of previous year. Our market share in this segment in Q2 stood at 10.5%. And our deliveries now stand for the first half at 9,961 units versus 9,844 units for the previous period in the financial year '25.

We made sales of 3,217 units in our bus division. And with this, our first half sales are 9,222 units with a growth of 1.9% against 9,053 units in first half '25. In our parts business, both Eicher and Volvo combined, we recorded a robust growth of 11.8% over the previous quarter.

Sales of Eicher Pro X electric trucks continued to gain traction, even though the overall electric vehicle market has continued to be very small. It is just 1.5% of the 2 to 3.5 tonne market. And within that, we have delivered 244 units in Q2 and 436 units in H1. In some of the months, our market share in this small market has been 24%.

Eicher tractor and buses exported 1,823 units in Q2, up 61.3% over Q2 of previous year. Despite political disruptions in Southeast Asian markets, YTD exports stand at 3,259 units against 2,322 units in H1 of previous year.

While the market continues to remain highly competitive, VECV improved both our PAT as well as EBITDA margins. For Q2, our EBITDA stands at INR479 crores at 8% as against INR395 crores at 7.3%. Our PAT stands at INR249 crores at 4.2% against INR208 crores in the previous first half at 3.8%. On a YTD basis, our EBITDA in H1 was INR989.4 crores at 8.6% versus INR780.4 crores at 7.5% in the previous year.

And of course, on October 8, VECV announced an investment of INR544 crores for the production and final assembly of Volvo Group's globally state-of-the-art 12-speed automated manual transmission. This greenfield factory will be established at Vikram Udyogpuri Integrated Industrial Township near the historic city of Ujjain, Madhya Pradesh. The

investment in automotive manual transmission production is yet another milestone in the 17-year plus successful VECV joint venture with Volvo Group and Eicher Motors.

As the global manufacturing hub for Volvo Group's 5- and 8-liter medium-duty engines since 2013, VECV's Pithampur factory has been a pioneer in making in India for the world. Now this will be the second similar initiative in making in India for the world for the automotive manual transmission because most of this production will be exported to Asia and Oceania requirements of Volvo Group.

India's economy has remained resilient, supported by strong fundamentals and policy support, capex in roads and infrastructure and Make in India incentives supported manufacturing and demand for freight movement with inflation contained at 4% and financing conditions stable, and of course, the GST rates rationalization, EV demand held firm through the extended monsoon period and is poised to improve further in H2 as projected executions pick up.

As we all know that the industry has done very well in 2-wheelers and passenger cars. Now the consequent positive impact comes on the commercial vehicle because as we have to move more goods and services, you need more trucks. So therefore, we are in a very good position, you can say, for the second half for the commercial vehicle industry as well as for us. And of course, we are looking forward to a good year.

Now of course, thank you all for being with us on this call, and we can now move to question answers.

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 phones. 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. We will now wait for a moment while the question queue assembles. The first question comes from the line of Chandramouli from Goldman Sachs. Please go ahead.

Chandramouli:

My first question is just on the Classic and the Bullet, especially post the GST cuts. We continue to see pretty good volume growth on both those key models, even off a pretty high base when you refresh both those products at this time last year. I just want to understand some of these core products, the Classic, the Bullet, the Hunter, the Meteor, if you're able to give us some sense of what the potential benefits in demand you're seeing, just exclusive from the GST cuts alone?

B. Govindarajan:

Well, Chandramouli, first is the Classic 350 has actually grown very well during this time because we kickstarted the campaign on the Classic that has really worked well. People really liked it. That is one on the Classic. If I have to tell you what kind of a growth, I think we grew almost about 24.5% compared to last year during this quarter in the Classic 350.

The next Meteor, which you asked about, the Meteor 350, we came out with new color ways, and we launched it during the September month. Once again, that also has shown us very good growth. If I'm right, I think we have grown almost about 30% there.

Hunter, we launched one more color during this festive time. And we also did the HunterHood as a platform for all the young audience to come together and then celebrate the HunterHood. And even Hunter has grown almost about 41% over the last year.

So all the products, which were on focus during this quarter, have really, really grown very well. Bullet 350 Battalion Black which has really, really grown, I think, almost about 70% during this quarter.

Chandramouli:

Got it. That's helpful. The second question is just around the second half. I think some of your peers have indicated the motorcycle industry in India should grow around that 8% run rate in the back half of this year. I think Royal Enfield in the first half, domestic market growth has been higher than that run rate?

But I just want to understand how you're planning for and thinking about the second half and how you're thinking about premium motorcycling growth in relation to that sort of high single-digit growth run rate potentially for the rest of the industry?

B. Govindarajan:

In terms of percentages, we don't give the forward guidance, Chandramouli, but I can tell you, post the GST, the demand and the inquiry and the demand is holding up really very well for us. Even October has been very good. As I mentioned, all the product interventions, inventory buildup, everything has worked. And currently, even in the month of November, I'm seeing the run rates are very good. So we are bullish that our growth rate continues.

Chandramouli:

Got it. And just lastly, in terms of channel inventory and production run rates, if I just look at your first half wholesale growth in the domestic market, you've grown about 27% versus retail, at least on my end, seems to be close to 24%. And in the month of October, it seems to be -- retail has grown closer to 50%, but wholesale only 15%.

So are you thinking about sort of staking up the channel? What is the current channel inventory you have? And are there any near-term risks of potential stock out just given retail so far this third quarter seems to have grown much faster than wholesale?

B. Govindarajan:

Yes. So normally, as you all know, during the festive season, the inventory build takes place and the retail will be higher than the wholesale numbers. That is what the season, which has been really, really good during this window of 31 days festive compared to last year, we actually grew by almost 50%. So the growth has been very good. Retail has been holding off very well.

And we don't build inventory, you all know. We would like to actually have a correct inventory, and we have a replenishment model back in the system. So that will actually help us to get the velocity in that. Production at the back end is also churning out good numbers.

So once again, you will see some amount of inventory fill up, which has to take place, which will happen through the wholesale. There's nothing which is alarming to be saying that there is a gross mismatch, Chandramouli.

Chandramouli:

Got it. Got it. Thank you very much and all the best.

B. Govindarajan: Thank you.

Moderator: Thank you. In order to ensure that management is enabled to take questions from all the participants. Participants are requested to restrict their questions to 2 per participant. The next question comes from the line of Binay Singh from Morgan Stanley. Please go ahead

Binay Singh: Hi team, thanks for the opportunity. In your opening remarks, you talked about maximizing capacity. Could you share your thoughts on what you are thinking on capacity addition incrementally because you're running almost at full capacity?

B. Govindarajan: Yes. So Binay, in the beginning of the year also said, we have our state-of-art manufacturing facilities at Oragadam and Vallam and we have the Cheyyar plant, which is about 60 acres, which is supporting these plants with the plating facility. So that's the lay.

And we said about 1.2 million is the capacity, after build capacity, now it's peaking and it is delivering very well. We also did debottlenecking operations during this quarter for festive inventory buildup. So we have ramped up the capacity to almost about 1.3 million to 1.35 million motorcycles.

But looking at the demand, looking at the inquiry and the interest and what we have done is in between, we also kickstarted additional module capacity, which will also start kicking in from the first quarter of the coming year. So we'll go in modules. And the next module is also kick-started. Because we have space in Cheyyar, we don't anticipate any major issues.

Binay Singh: Right, right. And the second question is on the margin side. While we've seen -- like if you see revenues have grown by around 45%, but the EBITDA growth is around 39% because the operating expenses have risen quite sharply. So do you see any scope to reduce marketing or financing or other interventions to sort of have a margin expansion? How would you see that?

B. Govindarajan: Once again, if I had to tell you, maybe I'm repeating the percentages, please don't see that because that is not what we are driving in aligning the organization. We are looking at an absolute profit, and that's the focus. We want to continue to grow. Growth has to come in from absolute profitability, not on the percentage.

As far as marketing expenses, which we are talking about, in fact, this year, the integrated planning, which was done by our marketing team has really helped us to get a good efficiency out of it.

But you will continue to see our market activations, brand-building activities and launch expenses that will continue, including expenses like community building like Motoverse HunterHood, our drag races of Guerrilla and Classic campaign that all will continue. So there will be expenses which will be there in the marketing area.

Binay Singh: Ok, thanks. I will come back in the queue.

Moderator: Thank you. The next question comes from the line of Aryn Pirani from JP Morgan. Please go ahead.

Amyr Pirani:

Hi, thanks for the opportunity. Actually, my first question is also on the profitability. It looks like this quarter, there has been a big gap in the movement in consolidated and standalone. And it looks like your subsidiaries may have turned close to INR40 crores EBITDA profit, which is generally a negative number.

So I just wanted to understand if something is happening there? Are some of the subsidiaries turning profitable? Is some of this to do with Brazil where you've been ramping up? Some color there would be helpful?

Vidhya Srinivasan:

Yeah so I mean, to some extent, there is a bit of a mix change which is happening between Q1 and Q2. Typically, the way it works out for us is Q1 and Q4, we are ramping up, and we are spending. We are exporting to essentially the developed markets. And in Q2, Q3, it's largely around CKD and things like that.

So I wouldn't say that there is any big jump up, which takes place between subsidiaries and there's no major dramatic development. It's essentially the timing and it's the mix of markets, etc., which is showing it, yeah. So nothing, it's really that there will be more sales happening in the subsidiaries because typically, we take the reversal of profits, as you know, from India.

B. Govindarajan:

Amyr, as Vidhya was mentioning, all our subsidiaries in the last 1, 1.5 years, what we have been doing is we have been trying to stabilize all the subsidiary markets. We have been investing into this. And the CKDs are ramping up. There is an efficiency which is coming in. This is also flowing into the subsidiary profitability. But you will see it over the period of time when the volume goes up further.

Amyr Pirani:

Okay, okay. That's helpful. Secondly, on VECV, first of all, thank you for giving the detailed financials at this time in the PPT. I think that will be very helpful for us going forward. So just on VECV, I wanted to get a sense as to how the volume outlook looked. You did mention some improvement, but we've seen in the industry that while margins have improved for almost all the players, the volume growth has been sideways just in low single digits?

So as we look into the next 2 to 3 quarters, are there any specific areas where we could see signs of volume recovery? And how should we think about margins going forward after the improvement that we've seen in 1H?

Vinod Aggarwal:

Like you rightly said, the volumes have been a little bit lower than the expectations in the first half. However, I think that was also due to the extended monsoon period. And of course, infrastructure investments are happening very well.

And as I mentioned in my address, you will see the lag impact of the GST rates rationalization because definitely, it has improved the consumption levels and Indian economy driven by domestic consumption. Therefore, we will see a good impact on the economy, and interest rates are also doing very well.

Inflation is down, replacements are strong. So therefore, there is no reason why the volumes should not pick up. But at the same time, we should also note that in the heavy-duty trucks,

more and more migration keeps on happening to higher tonnage trucks. That also reflects in our numbers.

And then the second thing which pulls down the numbers is the productivity levels. If you look at the current running of trucks, if earlier, the trucks were running only, say, 10,000, 12,000 kilometers, currently, the trucks are running 20,000, 25,000 kilometers in some of the applications.

So therefore, with the extended running, of course, the numbers come down. But at the same time, these trucks will need to be replaced more often because if you're running 3,00,000 kilometers, then of course, the heavy replacement period will come down. So that will reflect in the future demand.

And the third thing, which has pulled down some of the heavy-duty trucks demand is also some migration towards the rail freight corridors. For example, Maruti is now moving almost 25% of its cars through rail. So there is some impact coming off that. But in spite of that, we had 0.2% growth in the first half, in fact, YTD too for the heavy-duty trucks.

So therefore, you will not see very large growth numbers in heavy-duty trucks. But of course, I feel that the second half will be much better than the first half. As it is, the second half is around 55% of the total year. Therefore, you will see better growth rates in the second half.

But if you look at light and medium duty trucks, the growth has been good. Growth has been 9% in light and medium-duty trucks. Exports have grown by 40% in first half. Buses are growing by 7% to 8%. Small commercial vehicles have grown by around 6% to 7%. So other than the heavy-duty trucks, all other segments are growing. And I'm very positive that overall, we will see good growth in the second half.

Amyr Pirani:

Thank you sir. Thank you for the detailed response. I will come back in the queue.

Moderator:

Thank you. The next question comes from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh:

Good evening sir. Just firstly, on the GST changes, I wanted to understand from a consumer behavior point of view, any changes you have noticed in either rural or urban growth, if you could give those numbers? And also for the more than 350cc portfolio, is there any impact on demand that you've noticed or the impact is not much despite the GST going up?

B. Govindarajan:

Yeah. So I think it's a fantastic move by the government. It has really, really propelled the entire inquiry in the market. The market is buoyant post the GST reduction. For us, when the announcement came in, there was a very good pre-buy taking place in the 450 and 650cc. And now with the reduction to 18%, 350cc motorcycles are really, really doing well. Festive plus GST and all our actions, it has helped us to get the inquiries.

As far as our 450cc and 650cc products. And of course, the rate of recovery we are just seeing in our 650cc is better and 450cc is slowly inching up. So it's a matter of time. We can't make any decisions immediately. We may have to wait for some time. But we are cognizant of what

is happening and what actions to be done. Nothing will be short term. It will be only long-term activities.

So we have also appealed to the authorities even for our 450cc and 650cc, whether that can also be brought down to 18%, so that there's a uniform tax rate which will really help because in India, if we lower these two products I mean if we lower the GST rate of more than 350cc, there is a good chance of higher volume, and thereby, we'll get a scale.

So even in the international market, it is a true story for a Make in India. So we have been appealing to the government. We will continue to engage with the agencies for lowering the GST rate. In a nutshell, if I had to tell you, 450cc and 650cc are bouncing back in terms of the volume. 650cc is better, and 450cc, it's a bit slower in bouncing back.

Kapil Singh:

Sure, sir. And on the rural and urban growth, anything?

B. Govindarajan:

I think it has been growing across, to be honest, Kapil. During the festive time, the rural had been slightly higher than the urban. But once again, we have to wait for some more time. But for us, one good thing which has happened during this time is that the South has not been doing very well for us. Now South also has picked up. We have seen very good growth. And East has done really, really well for us during this time. That's at a regional level. Also rural retail growth has been very good during this period.

Kapil Singh:

Okay. That's great to hear. And sir, one question was on the raw material cost to sales ratio, we've seen an increase. So if you could just help us understand, is this just reflecting the mix or there was some commodity cost pressure as well for the quarter? And anything further that you are expecting on the cost side because we've seen some impact in precious metals, for example?

Vidhya Srinivasan:

Yes. So I think overall, from a margin standpoint and from a commodity standpoint, we're expecting about 40 basis points. I mean, we have had a 40 basis point impact as far as commodity prices, mainly led by both precious metals and aluminum alloys and all that. And overall, I think it's been offset. We've also had a bit of price increase, which has also given us a positive impact of about 50 basis points. The rest is really a product price mix kind of a thing that comes in.

B. Govindarajan:

So Kapil, Inflation pressure is there. So there is a headwind, and we are looking at even the precious metal, how do we mitigate it, how do we speed up the value engineering activities, and as Vidhya mentioned on the model mix. So all the levers have to be used because of the inflation pressure. That's the current scenario now.

Kapil Singh:

Thank you sir, that's all.

Moderator:

Thank you. The next question comes from the line of Gunjan Prithyani from Bank of America. Please go ahead

Gunjan Prithyani:

Hi, thanks for taking my question. Firstly, on just the new module capacity that you said will sort of kick in from 1Q, what sort of debottlenecking or expansion are we looking at? And also

the comments on the post GST customer demand seeing a boost. Is there a little bit more color that you can share as to what sort of new set of customers are coming into the showrooms?

I'm just trying to gauge if there are these first-time buyers? Or are these people who were fence-sitters and with GST, the conversion has just happened much quicker. A little bit more thoughts on the customer buying behavior post GST change?

B. Govindarajan:

So first, I'll address the second question, Gunjan. In terms of the customer demographic cut, first time, repeat, I think we were all very busy in fulfilling the peak demand which came up during the festive time, and we were having a Board meeting. So we were all, I think, not having enough bandwidth to do the analysis.

But anyway, the team is doing, we will go through that. We will come back maybe after a fortnight time window. I must tell you, our walk-in conversion has gone up, our tele conversion has gone up, our online conversion has gone up.

So the E2B, we normally say enquiry to the booking conversion has actually seen a 10 percentage point growth during this point of time. It used to be about 20%, 21%. It has gone to about 29%, 30%. So the efficiency also has been very good. But to tell you about the whole analysis, we need some more time. November also is holding up. So we will do it in another fortnight.

The second one, which you asked about the capacity. As we mentioned, we had built a capacity of about 1.2 million with a particular mix of our 350cc, 450cc and 650cc. Now what is happening is post GST, the 350cc demand is slightly higher than the 450 and 650. As I mentioned, 650 is catching up faster than the 450, but the demand of 350 is higher than what we were looking at.

So the debottlenecking, which we were talking about, is how do we do some operations whereby the 350cc can be produced in the lines. So that's what is the focus which we did as in the interim. Thereby, we have increased the capacity. And we have added some machineries and equipment and all.

Looking at the current scenario of the growth, about 2 months back, we also kickstarted another one module investment, which I said, which will kick in from the first quarter because we have to be prepared for the next festive demand inventory buildup.

But normally, what happens nowadays is the plant will run at a particular efficiency during H1 and at a particular efficiency during H2. Now we may have to do it, depending upon the inventory, we may have to run the plant continuously to build some inventories till the new capacity kicks in, so that next year growth also is taken care.

Gunjan Prithyani:

But how much will this module add, which you just referred to in terms of capacity? Does 1.35 go up? That's what I'm trying to get at.

B. Govindarajan:

Yes, Gunjan, it is being looked at. It should be higher than 1.35 lakh.

- Gunjan Prithyani:** Okay. Sorry, 1.35 million per annum or you are referring to a monthly number?
- B. Govindarajan:** Sorry, sorry, it is 1.35 million.
- Gunjan Prithyani:** Okay. Got it. That's clear. The second question, sir, I had was on the exports business. How should we now think of growth here? There was a period where we were sort of managing the retail, wholesale, trying to keep the gap to the minimum. That sort of exercise of inventory cleanup to me seems like it is behind. So how do we think about the demand growth on the export side? And any market color if you can give?
- B. Govindarajan:** So our international volume for this year till date in H1, we have grown almost about 49% compared to last year, which is about 78,548 motorcycles. The retail is higher than the wholesale once again, and it's holding up.
- Brazil is a country where, once again, it is really showing it's a big market outside India for us. Our CKD facilities are in operation. We are also looking at establishing our own. And the growth rate is very good. Our products are getting accepted very well.
- Both in Argentina, Latin America, Argentina and Colombia also, it is doing very well. U.S.A. tariff situations, we are waiting and watching. Europe's retail is holding, it is catching up now. And the APAC market is yet to bounce back. APAC is going slow only. Still Thailand is not fully, fully sorted in a way as a country.
- SAARC has been doing outstandingly well for us. During this H1, if I have to tell you where we are in terms of market share, we have moved to number 1 position in SAARC. Bangladesh and Nepal, both the countries. We just entered into this market effectively in the last 1 year.
- And we retained our position in the U.K., Brazil, Argentina, Thailand at number 2, and we retained our position in number 3 in Australia and 4 in Italy and France. And in the EU and Germany, we are in fifth position. And now Germany, we are taking our own subsidiary, which is going to come in full zone operations. So exports, if I have to tell you in one liner, it's in the recovery path, it's in the growth and recovery path.
- Gunjan Prithyani:** Okay. Got it, thank you so much. I will join the queue.
- Moderator:** Thank you. The next question comes from the line of Pramod Kumar from UBS Securities. Please go ahead.
- Pramod Kumar:** Yeah. Thanks a lot for the opportunity and Govind just wanted to continue the demand trend. If you can just help us understand with the GST cut, what's the kind of customer profile walking in? I mean, have you seen customers who had inquired earlier, who were not converting, coming in and finally making the purchase? Or have you seen a fresh wave of customers coming in, fresh walk-ins or first time walk-ins into Royal Enfield dealerships?
- Just trying to understand how much of this is upgrade demand which is coming in from customers after the GST cut and how much of this was like kind of a pent-up one, given that

you always share that your, what do you say, mind share of a consumer is much, much more higher than where your motorcycle market share is?

So just trying to understand what are the kind of qualitative differences you have seen after the GST cut? And also I don't know if you kind of hit this number, where exactly is the channel inventory ex of transit, the latest data, whatever you can share?

B. Govindarajan:

So first is Pramod, about the inquiry and booking. If I have to tell you, not that pre-festive, we were having a host of booking and we were waiting for delivery because our production has been very good. So our inquiry to booking ratio, we have been monitoring. Post GST, inquiry to booking the conversion percentage has gone up.

So booking was better because obviously, with the GST reduction, some purchases decisions were taken by the customers and it has happened. But currently, if I have to look at just to give you some color of what is happening to the earlier booking to the current booking and how it is moving, the inquiry levels are continuing and the booking levels are continuing even in the month of November when we are talking.

So the GST effect and the new products and our campaign effect is actually there. And the good thing is even in the rural markets, as the question....

Anubhav Bajpai:

There is some background noise.

B. Govindarajan:

Yes. So the funnel, which you're talking about an inquiry to booking to conversion, as of now, it is very healthy. The top of the funnel inquiry is continuing. So that's the sign which we are seeing that everything what we were working on as a lever plus the GST has really helped for 350cc motorcycles.

Above 350, both 450cc and 650cc, during the GST announcement before September 22, the prebuy has actually been very high. So we stopped it also very well because we were anticipating it. So we stopped the 450cc and 650cc, which helped us to retail very well, and that's why we could see a 50% overall retail growth for us during the festive season.

In fact, the September to October window, our 450cc has grown by almost 30% and 650cc has grown by almost 11% compared to the previous time, primarily because of the pre-buy which has taken place. Post that, there was a slight dip.

Up to 650 is showing better and 450 is slowly recovering. It takes some time, but we don't see it to be a major problem. As far as first time buyers, age of that, as Gunjan was also asking, just give some more time. We are doing an analysis. Probably in the next call, we will have a detailed chart on that.

Pramod Kumar:

And Govind, the reason why I'm asking that is basically there have been talks about Royal Enfield evaluating a 250cc motorcycle. I'm just wondering given the kind of demand lift what you're seeing and given that you're saying even after a record 50% retail growth, you're still seeing sustained momentum in November, even as the industry sees moderation otherwise.

Does it mean that you probably as a company need to think hard on the 250cc strategy because the GST cut makes the 350cc more affordable? So how should one think about this? Because you're already talking about a capacity expansion on the 350cc side. So what will be the kind of numbers we'll be looking at in terms of volume ramp-up or capacity expansion if you have to commit to a 250cc foray?

B. Govindarajan:

So it's like this. Our focus as a company will be in the middle weight. We always say the middle weight definition is 250 to 750cc. Currently, we have products in 350cc and the Sherpa platform 450cc and twin 650cc. Of this 350cc with all the products which we have launched now, especially the Hunter, the new color which we launched and the Guerrilla new color which we have launched, the Meteor new variants which we have launched and the Classic campaign which we did.

And on top of it, the GST reduction, it all has helped us to grow further, and we have been always maintaining that still there is a scope for our 350cc products to continue to grow. And the current scenario is it is growing. The task in hand, which we have now is on the 450cc and 650cc where there is a higher GST rate, which has gone to almost 40%, which as I mentioned, we are working with the agencies and the government to reduce it.

That is what we are working. Our continue to focus on the middle weight currently, the focus is on 350cc, how do we get the capacity fulfilling the demand which is higher. So work on the back end so that the 350cc can be more and more because that's the split, which is required to be a higher number due to the GST. So the current focus is only there, Pramod.

Pramod Kumar:

And Govind, when you talk about 350cc capacity getting rejigged to a higher number, that ideally should come with benefits from sourcing and scale and everything, right? Because it's the same as the existing product, which you'll be able to manufacture more. So ideally that should bring down your unit economics on that particular line up, right?

And also any comment on potential price hikes which you can take in the medium term because we've been quite disciplined on the pricing side to make the product more affordable. So but with the kind of demand you're seeing and the kind of traction, should one expect that there could be some pricing action starting with next calendar year?

B. Govindarajan:

So first is about the capacity extraction, which you mentioned, Pramod. Yes, we have to use all the levers now. Though the build capacity can be higher, but the model level 350 needs more. So we have to do all the levers to be used, including the value engineering activity, including the productivity, including sourcing, make versus buy discussions and some investments here and there as a low-cost automation, everything have to play in now immediately because it's here and now. So that activity, which is taking place.

As far as price increase which you talked about, just because the demand is higher, that doesn't mean we should go in for a price increase because that is not what we are as an organization. But there is inflation and there are costs. So we will normally review it once a quarter and which will also, we will be reviewing it.

In the month of April, we took a price increase in a few models and then also in a few models in July, we took a price increase as per the plan. So we don't do anything in the short term. We will review the price value equation, how is the market, how is the inflation, what's the potential which is there and from time to time and quarterly, we will review it.

Pramod Kumar: Thanks a lot. Wish you all the best sir.

B. Govindarajan: Thank you.

Moderator: Thank you. The last question comes from the line of Yash Agrawal from Nirmal Bang Securities. Please go ahead.

Yash Agrawal: Good evening sir. Thank you for the opportunity. I just wanted to know more about the online strategy that the company opted for by selling its 2-wheelers on the Flipkart. How is the response? What percentage of booking is coming from the online digital channel?

B. Govindarajan: Go ahead, Vidhya.

Vidhya Srinivasan: Yes. So basically, we have essentially kick-started an early pilot as it were in a limited number of outlets during the festive season just to see how the whole price journey, discovery, our traction, etc., is coming. So it's still early days for us to comment, but maybe you want to add to that.

B. Govindarajan: So first of all, as an organization, you have to be there in omnichannel. So we thought that we should also be there in the e-commerce websites. So that's why we signed up with both of them. And both of them, we are working on an exclusive basis because we have to understand more who the customers are, what are they looking for, what frictionless experience which we can give to them, what additional benefits they will get, which normally they won't get in our stores.

So those are all the learnings which we have to get. It is not that we wanted to venture in and then immediately get a huge volume. You know us, as an organization, we don't do like that. Even in the international market, the storyline is what, the storyline is we go to the country, we will open up only one store and let it be a pull.

Even in e-commerce work, it is only like that that we have to learn. It is a pilot for us, not in any tearing rush that we have to make it happen always. But once we understand what it is, then we will come out with our own playbook.

But what it was very important to see that you would have noticed is that the brand page of Royal Enfield, even in those e-commerce websites, are completely managed by us along with the e-commerce companies. The entire brand language, the way it has to be presented, the way no discounts, strike-throughs, nothing should be there in the typical way, which will be there on an e-commerce site.

We were very, very particular that it has to be represented in a particular way. And that's why I said it is a pilot. It's not in a tearing rush. The pilot is showing some good results. We are

studying a bit more. We are analyzing it to see how we scale it, should we scale it and where do we scale it. That's the discussion which is ongoing currently.

Yash Agrawal:

Thank you sir. The second question is for VECV. What's the product road map in CNG, LNG and electric CVs? And how do you expect them to contribute over the next 3 to 5 years?

Vinod Aggarwal:

If you look at CNG, we are already one of the market leaders. Our CNG trucks and buses, both are there in the light and medium-duty range. As far as electric is concerned, we have now 2 to 3.5 tonne, where we started this Pro X range with the electric trucks.

And we also have some units sold in 5.5 tonne, but there, the cost of ownership basis, viability is a bit of a challenge. And then of course, we are working on electric models for the tippers and for the tractor trailers. So those will come in future.

For electric buses, we are there in 9-meter bus, we are there in 12-meter bus and we are going to participate in the new tender, which is going to be opening shortly. And as far as LNG is concerned, we are already there in LNG trucks.

We have sold, I think, good numbers in the 55 ton, again, tractor trailer segment. So we are there in all the alternate fuels. And of course, slowly and steadily, these alternate fuels will become more popular, especially LNG is expected to become more popular.

CNG is already very popular for the metro cities and distances up to 400, 500 kilometers. Like for example, some of the cities, the diesel sales are not allowed. Therefore, like in a city like Delhi, it's only CNG which sells. So it's going to be, I think, slow and steady migration to the better fuels.

Yash Agrawal:

And what are the key hurdles you see in their penetration going forward?

Vinod Aggarwal:

Key hurdles in the penetration?

Yash Agrawal:

Yes, like...

Vinod Aggarwal:

For the long haul trucks, the key hurdle is definitely the one is charging infrastructure. And the other is in the long haul trucks, when you put more weight of batteries, the payload also comes down. So therefore, in long haul, the popular models are going to be the tipper category where the vehicles operate in the localized environment so that you can do with the lesser capacity and you can do with more charging.

And then, of course, the tractor trailers from the port to warehouse movement where the movement is only 200 kilometers. So those are some of the routes which are becoming more popular. Otherwise, the smaller trucks, of course, will be more popular. But there again, the migration has been very slow.

And the other major hurdle comes from the financier side because financiers are also still not fully open to finance these electric trucks or electric buses. And for the electric buses, of course, it is the government buying largely. There, of course, the government has now given



the payment security mechanism based on which the banks and financiers are giving loans to the operators. So I think things are evolving, and we have to be patient in this.

Yash Agrawal:

Thank you sir, that's very helpful.

Moderator:

Thank you. I now hand the conference over to the management of Eicher Motors Limited for closing comments. Over to you, sir.

B. Govindarajan:

Thank you very much everyone for attending this and look forward to having a chat with you soon. See you all. Cheers.

Vinod Aggarwal:

Thank you.

Moderator:

Thank you. On behalf of Eicher Motors Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.