

August 18, 2022

Online intimation/submission

The Secretary

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai-400 001

Security Code: 505200

The Secretary

National Stock Exchange of India Ltd

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

G Block, Bandra Kurla Complex, Bandra (E)

Mumbai-400 051

Symbol: EICHERMOT

Subject: Regulation 30 of SEBI (LODR) Regulations, 2015- Transcript of conference call

Dear Sir/Madam,

Further to our letter dated August 3, 2022 intimating the schedule of the conference call held on Wednesday, August 10, 2022, please find attached transcript of the aforesaid conference call, held *inter alia* to discuss financial results for the first quarter ended June 30, 2022, pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company www.eichermotors.com.

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

You are requested to take the same on your records.

Thanking you,

For **Eicher Motors Limited**

Atul Sharma

Company Secretary

Encl: a.a.



“Eicher Motors Limited
Q1 FY23 Earnings Conference Call”

August 10, 2022



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



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Moderator: Hi, welcome to Eicher Motors Q1 FY23 Post Results Concall. We're happy that the management gave us the opportunity to host the call. We have with us Mr. Siddhartha Lal, MD and CEO of Eicher Motors; Mr. B. Govindarajan, Executive Director of Royal Enfield; Mr. Vinod Aggarwal, MD and CEO of Volvo-Eicher JV; and Mr. Kaleeswaran Arunachalam, CFO of Eicher Motors Limited. Over to you, Mr. Siddhartha Lal, for your initial comments.

Siddhartha Lal: Good afternoon, and hi to everyone. Thank you very much for joining us and thank you to ICICI for hosting this. Welcome to the Q1 FY22-23 earnings call for Eicher Motors Limited. I hope you're all doing well.

This quarter marks multiple new milestones for Eicher Motors Limited and for VECV, our joint venture with Volvo. Firstly, at Royal Enfield, we are continuing our path to becoming a premium global consumer brand from India. And we delivered our highest ever sales in international markets. In India, we continue to define the middleweight segment and have greater than 85% share in the above 250cc segments. On motorcycle, we further strengthened our hold on the greater than 125cc segment, with 36% segment share, which is puts us in number one position in all motorcycles above 125cc, that means one in three motorcycles sold above 125cc. So, now even though we are not present in 150cc to 250cc but we're still counting that share, and we have one in three motorcycles. This shows that we have clearly been able to grow the market towards Royal Enfield bikes in India.

Additionally, we also recorded our highest ever revenue and our highest ever EBITDA at Eicher Motors Limited this quarter. We're just getting started and all these numbers do not include latest motorcycle in our portfolio. We just concluded a global launch of the all-new Hunter 350, which is a premium neo-retro style compact, muscular, roadster style motorcycle. We've just returned from Bangkok where we hosted global media. So, media from all over the world i.e., from Latin America, North America, Europe, India, ASEAN, Japan, Korea, Australia and New Zealand were present. And I believe they really liked the motorcycle. It was a very fresh new concept from Royal Enfield for them. And you can read the reviews as the embargo was lifted 10:00 a.m. this morning. So, you can read all the reviews from global motorcycle media. We've also launched it at a very accessible price point. It's an amazing motorcycle with great handling, with 17-inch wheels, with bells and whistles that one requires in this segment, but also extremely refined ride and handling characteristics. Very nimble, but also at an extremely accessible price point, which we are extremely confident will assure a whole lot of new motorcyclists into Royal Enfield's world. These are customers who like the brand Royal Enfield, they have a positive leaning towards it, or they love the brand Royal Enfield. But for now, some of our 350cc offerings may not be interesting to



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them. So, they may not subscribe to a classic look or they may not want a cruiser bike. So, they like Royal Enfield, but they don't currently have anything in the portfolio that is interesting for them and that's where the Hunter 350 comes in. Our sole objective with this motorcycle is to get new customers who were originally not buying a Royal Enfield motorcycle. So that's on Royal Enfield and EML.

Coming to VECV, which is our joint venture with Volvo Group, the company recorded its highest ever first quarter volumes in Q1. We gained market share across light, medium and heavy-duty segments over the last year and we continue to remain a profitable truck company, which is saying a lot considering all the bad times that have passed. So, we continue our strong business and resilient business model that we have at VECV. The quarter also witnessed the inauguration of the first Eicher electric city bus, delivered to the city of Chandigarh which is a great milestone for us. We believe we have really strong electric offerings in the bus segment, and this is the start of things there. Recently, Volvo Buses India has launched its next-generation Volvo 9600 platform in India. It's an all-new modern platform and we'll have a factory-built sleeper. You should see the photographs, it's absolutely stunning and it looks better than business class offering in an airplane. And we will also have seater coaches in 15 meters and in 13.5 meters buses, they represent the largest and the most modern buses in India by far.

We have also recently released our annual integrated report for FY '22. This report captures our performance from the last financial year in addition to a host of initiatives undertaken by Eicher Motors Limited towards its commitment for next stage of growth and for a much stronger ESG vision.

Now with the robust all-around performance at EML and a strong product pipeline and plans in place, we are absolutely confident to push forward on our long-term strategic business plans and objectives.

We move to the consolidated financials, for the Q1 of FY22-23. In revenue, EML clocked its new highest level quarterly revenue at ₹3,397 crores, up 6.4% quarter-on-quarter over Q4 FY22, and up 72% year-on-year. Obviously, last year there was a COVID effect, but it's still up 72% from last year. Our EBITDA for Q1 FY23 stood at ₹831 crores, which is a highest ever quarterly profit, up 9.8% quarter-on-quarter and 129% year-on-year. Our EBITDA margin for the quarter stood at 24.5% against 23.7% in the previous quarter, making a 0.8% quarter-on-quarter improvement. And it improved 6.1% in the same quarter last year. So, it's a great improvement again. And profit after tax was at ₹611 crores, which is similar on quarter-on-quarter, which was ₹610 crores previous quarter. But the fact that it changed so less is because of lower other income an account of mark-



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to-market losses of treasury income, and partially offset by state government grants, which we received during the quarter. So, that our overall quarter. I believe it's an absolutely stellar quarter, a great starting point for this year and for our future plans. And there's lots of new things happening at EML and we're all super excited about those. But before I get into all of that, I'll ask Govindarajan, who is the CEO of Royal Enfield, to tell us more detail about the Royal Enfield business. Over to you, Govind.

B. Govindarajan:

Thank you, Siddhartha. Just to add more points on what Siddhartha talked about the Hunter 350. Royal Enfield, if you look at the cadence, we have Classic 350, Meteor, Himalayan, and the 650cc Twins Continental GT and Interceptor.

When we started looking at, we found that there is a space for one more vehicle, which can address the younger audience, which has an urban fit, which is very compact, nimble, easy to maneuver and a vehicle which can actually connect with the younger audience more and more. And that's where we actually brought in the Hunter 350 on the same well-refined J-Series machine.

I and Siddhartha, we were there in Bangkok along with the world's best journalists across the globe. We rode the motorcycle, actually curated what's called as a night ride and all of us rode in smaller batches. Everyone came back and then said exactly what we wanted to land in for the younger audience, and that's where we landed this on the six to eight. We did all these things and we launched.

Today is the day we actually embargo on the journalists are lifted. You can see the reviews which are coming up on this. This is one such motorcycle, which we wanted to offer the pure motorcycling to a larger audience across the globe. So, for the larger audience, we also wanted to keep it at a very accessible price point. So, we actually came up with our factory-fit series at ₹1,49,900, which is a very accessible price point, which has been very well accepted by the consumers. You can see their reviews on the social media. All the journalists who rode the motorcycle, their review started coming in. It's so well received even by them. With the launch of Hunter 350 we have become the top 10 trending in the Google searches. Everyone is now searching for it. You can see what exactly the organization wanted to launch and what the product positioning has to be, exactly it is landing in that. The booking is open. There's lot of buzz, which is happening at our dealership format. So, all in all Hunter 350 is a global product for the younger audience who wanted a bit more compact accessible motorcycle and that's what we have delivered through the Hunter 350.

Let me now share with you some of the highlights in Royal Enfield for Q1. Total sales, we sold about 1,86,032 motorcycles in the quarter, up by 52.3% year-on-year from last year and 2.1%



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higher than the Q4 FY22. In India, we sold 1,57,642 motorcycles, which is 51% higher than the previous year. On a Q-o-Q basis, its volumes are more steady. Our market share above 125cc is hitting nearly about 36% in this quarter as against 32.9% in the previous quarters, as Siddhartha was mentioning.

International success, for us, it has been a steady growth, which is happening month-on-month. We have recorded a new high in our international business. We dispatched 28,390 units, making an increase of 30% Q-on-Q and about 62% over last year. We have launched new variants for Meteor in three colorways in this quarter. All this have been received very well by the market. With the pandemic situations under control, we also did the Himalayan Odyssey in this year. We were very happy about conducting that. We had about 70 participants riding almost 2,700 kilometers for 18 days. It's been done after about two years.

On the occasion of the World Environmental Day, Royal Enfield galvanized over 1,000 riders across its community for a Pan-India cleanup ride, with a focus on creating awareness and uniting communities to demonstrate concern towards efficient waste management system.

On retail network, as last call also we have said, we are into optimizing the retail outlets. Our network expansion plan in India is as per the target. As of now, almost about 2,132 retail outlets. Internationally, during this quarter, we did an expansion, in the markets like Kuala Lumpur, Argentina, Colombia, and Mexico and 12 multi-brand outlets also which have come up. So, the total count, including the multi-brand outlet, is almost about 850 plus.

With the upcoming festival season in the market, the consumer sentiments, supply chain is steadily improving. The parts availability is becoming better. We are quite confident our sustained growth in Royal Enfield will continue in the coming quarters. Now I will request Mr. Vinod Aggarwal to talk about the VECV business. Over to you, Vinod.

Vinod Aggarwal:

Thank you, Govind, and Siddhartha, and a very good evening to all the friends who have joined today. First of all, let me give you the details about the industry. As far as the commercial vehicle industry is concerned, after three years of very bad recession, the industry is on the recovery path. And if you go by the trends of first quarter, this year we are going to see very, very handsome numbers in the CV industry, which will be still far away from the earlier peak of 2018-19, but still, it will cover a lot of lost ground in last three years. If you look at numbers, this year, first quarter, the CV industry has gone up to 105,000, I'm talking of excluding 3.5 tons. So, 105,000 as against previous year's first quarter of only around 40,000. So therefore, even if you just consider that balance nine months number of last year which was around 300,000. So, 300,000 plus 105,000 of



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first quarter, gives you 405,000 without considering any growth in balance nine months. And if you add growth of maybe 10-15%, which is the current trend, then we reach a figure of maybe around 430,000-435,000. So, the industry is getting closer to the earlier peak levels. So therefore, industry situation is going to be good for the CV industry.

Within the industry, the buses are doing very well because schools have reopened, and the situation has improved in other segments also in buses. Similarly, light and medium duty is almost at the earlier peak levels, if you look at the monthly figures. And in heavy duty also we are now getting consistently every month, 17,000 to 18,000 units every month. If you look at our figures within this industry, which Siddhartha had briefly mentioned in his address, we have improved market shares in all the segments. In light and medium duty, we are at 27.7% and in heavy duties we are at 7.4%. In buses, we have in fact, made much bigger progress with 28.6% market share in first quarter, which earlier used to be around 17%, 18%. So, we have made improvements in the market shares in all these segments.

We have been focusing a lot on expanding our distribution reach and have improved our distribution network by adding 29 more network points in last quarter and added almost two touchpoints every week. And we are consistently focusing on improving our uptime and aftersales with our customers, through our initiatives like 100% connected trucks and the uptime center. Our product range is improving there every day with better customer value proposition in various applications.

Coming specifically to the financial figures. For the first quarter, we have total revenues of ₹3,934 crores, which is highest ever for the first quarter and is up 140% as compared to ₹1,639 crores last year first quarter, even though last year first quarter figures are not comparable because we had the COVID-impacted quarter, and these numbers were very small. Nevertheless, I think first quarter number, ₹3,934 crores, is a very respectable figure. And the EBITDA margin for quarter one is ₹207 crores, last year, we had only ₹18 crores in EBITDA. We are at 5.3% EBITDA margin as against 1.1% last year, in spite of sharp increase in the input costs as well as sustained challenges in the price management. I think we are doing reasonably well as far as the profit margins are concerned. Profit after tax for quarter one is ₹62 crores against a loss of ₹72 crores last year. And we sold 17,469 units in quarter one as against 5,806 units last year. Our exports volume was also up by 3.1%, with significant growth in some of the key export markets.

As Siddhartha mentioned, we are very happy that we could launch first electric city bus in the City of Chandigarh in the first quarter. And this month, we are going to give the balance electric buses in Chandigarh. Of course, subsequently, we have also received an order of 150 electric buses from



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the City of Surat. Recently, we launched Volvo Next Generation 9600 Intercity Sleeper Coach with absolutely state-of-the-art and which will create new standards in comfort, safety and sustainability. We are also coming out with more new models of buses, both in Volvo as well as Eicher brand name from our first quarter plant of Volvo bus.

Looking forward, as CV industry is improving, I'm sure we will continue to do well in the CV industry, and we are continuing to invest in products, services and network. And together with strong alignment with Volvo Group, we have all the elements to address upcoming market and technology needs, and we will continue to do it in a sustainable manner. Now I hand it over back to Siddhartha for closing remarks.

Siddhartha Lal:

Thank you, Vinod. And as you've heard from Vinod, there's a lot going on at VECV. We're continuing to do well and have a great value proposition in light, medium duty, Volvo truck and Volvo bus segment. But I think the particular interest is the continued growth in our market shares in heavy duty as well, which is really big market out there. So, we have a 7.6% or somewhere in that region last quarter, and it's continuing to improve on a regular basis. It's really a story of focus of continuous improvement and now of enormous customer centricity, which is bringing a great uptime and aftermarket to the customer, which is super important in VECV.

And from Govind's synopsis, I would just like to say that one thing you can always take back from EML is that we're absolutely super focused. We don't do too many things; we do a few things and I believe we do them exceptionally well. We have a great pipeline of motorcycles. This is just the beginning, but lots of amazing motorcycles coming. We are able to enter newer and newer markets. Within the markets that we are present in, we have lines of dealers waiting to get our distribution because it's a brand that is growing and doing well and they're making money from it. So, there's a very positive virtuous cycle that is coming. We're also doing super new interesting things in the entire world of pure motorcycling experiences as we call it. So, it means breakthrough things on how we do events, activities, rides, custom motorcycles, competition, all of it with a sustainability focus and which brings desirability to brand Royal Enfield around the world. So, we continue to do that.

We have very strong and engaged teams, which is the cornerstone of Royal Enfield. And we really believe that with all of this extreme focus that we have on our customer and understanding the dealers and bringing the right product and story out is what is the advantage that Eicher Motors brings on the table, and we continue to invest in that. And we believe we will continue to meet our long-term ambitions and targets. As we've seen in the past, we've grown to a true global motorcycling company and a very strong trucking company in India and that path continues. So



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that's it for me now. Looking forward to seeing some of you tomorrow in our investor meet here in Chennai. And over for questions and answers, please. Thank you.

Moderator:

Thanks sir. Requesting participants to raise their hands for questions. So, first question is from Pramod Kumar, UBS.

Pramod Kumar:

Thanks Basu for the opportunity. And congratulations Siddhartha, and Govind for making the RE very accessible again. I think great pricing. So, I just wanted to understand, given how the price point is and this is where Classic used to be 4-5 years back in terms of the ex-showroom price, so how do you see the volumes evolving for Hunter in the domestic space? And on the export front, do you see this brand widening your customer base and the addressable market even in a wider way? And what could be the volume potential on the export side? Because it's a much more youthful product and much more compact and easier to handle. So, what will be your thoughts on the domestic and the export volume opportunity? And then I have a follow-up question for Kalees on the financials. Thank you.

B. Govindarajan:

Thanks Pramod. Good, every one of you are liking the motorcycle. It is really a lovely motorcycle. The first question which you raised is, what does it mean to us in terms of domestic volume? As Siddhartha mentioned we are a very focused company. And we always look at what is that experience which we give. That adjacency has actually started giving us volume, that's how it is. You can see all of the products which we have launched so far. We launched our Continental GT and Interceptor 650, it added volumes to us. We had Thunderbird when we changed it to Meteor on the J-series engine, then that actually doubled the volume there. Classic 350, when we upgraded to the new Classic 350, it has been holding its position as the number one motorcycle which is selling in 125cc and above. Now we are adding Himalayan and the Scram which we have already added. Scram has added volume to this even in adventurous category. Now Hunter is a motorcycle which we really thought that if we bring in a motorcycle which is accessible for the consumers globally, everyone wanted a particular format. Here is one for an urban take. The consumers who are having a true love for Royal Enfield, they express their love for Royal Enfield in acquiring some motorcycle of Royal Enfield, they wanted a motorcycle which is a bit more accessible, bit more lighter, a bit more nimble. As a result of it, they could not buy anything in the Royal Enfield offering, but they loved the brand of Royal Enfield. That's where we really felt Hunter is a motorcycle which comes and addresses that. And there's huge consumers who are actually enquiring our product, and there are drop-offs, which comes up in the journey. We feel this is the product which is going to actually address all of them, and that's how it will actually add volume to us. All our products you would have seen, are actually adding volume to us over a period of time.



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The second question which you asked is about the international market. In international market, Royal Enfield has been entering the entry segment through the 350 cc because all our J-series are now Euro V compliant. So, it's opening up that segment for us when we are entering into the market. Journalists from U.K., Europe, Brazil, North America, Thailand who rode the motorcycle with me and Siddhartha everyone came back and said "Wow, that's a fantastic motorcycle, which fits into our country also." Not even one guy turned back and then said, "Maybe it is okay for this country, may not be okay in all." Everyone said, yes, there is a space for that. So, we also see there's a good traction possible even for Hunter 350, which adds into the international markets volume.

Pramod Kumar:

And Govind, any volume targets there? Because the media -- because they're suggesting 10,000-15,000 being cited to the management in terms of domestic volumes. So, I just wanted to clarify on that fact and also on export volume potential, if you can share that?

B. Govindarajan:

We don't normally give any numbers. Pramod, we look at, how many faces are happy with our motorcycles and more we give it and then enjoying the experience. And what we want is that more and more people should come into the Royal Enfield fold, enjoy the motorcycle. We are here as a company in promoting motorcycling as a culture. And if we are focused into this and create product adjacencies, we feel probably even that number can be lower, why it should not be more. But we don't look at any numbers precisely to that.

Pramod Kumar:

And second is on the pricing bit and what it means to the profitability for the company because the pricing is really accessible. I think there are wage reductions and other cost savings. But even adjusted for that, it looks like you gone for prioritizing volumes here. So, I wanted to understand from Kalees and you as to how should one read the pricing and the volume growth that comes from Hunter in terms of impact on gross margin and on operating leverage? And consequently, what could be the ultimate outcome on the EBITDA side? So, if you can help us with that. Thank you.

Kaleeswaran Arunachalam:

Sure. Just as a starting point, Pramod on this, I think there are opportunities right at the variant level. So, we have an entry variant, there's a mid variant and there's a premium variant. We have all seen, over a period of time, Royal Enfield entry variant modeling has helped us to improve the profitability also. So, while there is an attractive launch price, the variant is one opportunity available and there will be VAV, that will be continuing as we go forward. But more importantly, the product, as Govind was rightly addressing, you have to look at a growth opportunity for India. So, as we move forward, it is important for us to balance growth, profit and profitability. So, from our perspective, we think the incremental capital employed for this particular product is already part of the J-series. So, the incremental profit that we'll be getting in absolute value will be higher. The incremental ROCE will be higher and eventually, it will be accretive to the EPS also.



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Pramod Kumar: Fair enough Kalees. And I get that. Thanks a lot and best of luck and see you tomorrow.

Kaleeswaran Arunachalam: Thank you.

B. Govindarajan: Thank you.

Moderator: Next question is from Binay Singh from Morgan Stanley.

Binay Singh: Hi team, thanks for the opportunity. Congratulations for good set of numbers. I just carry on from the earlier question on margins. Clearly, a good quarter but from here on, how do you see margins playing out? Is it fair to assume that the commodity tailwind is yet to play out? And in fact, even volumes could start to go up, so you'll see some volume leverage. But on the other side, the Hunter would be margin dilutive. So, if you could comment a little bit about directionally, where do you see margins going from here? That's the first question.

Kaleeswaran Arunachalam: Yes Binay, we don't give any forward guidance on margin. But at the same point in time, let's look at the levers available and how are we approaching it. Starts with revenue, a large part of our pricing action that we had to do with the catch-up pricing on various accounts that is now largely behind us. There is mix that will continue to grow positively both on the domestic side and with international catching up. We do think it's very early days for us in international and the potential to grow significantly high from here.

On the cost side, the commodity inflation is probably stabilizing right now. We are getting into a phase where the super commodity cycle is over. Touchwood there are no further any global political disruption that will come in to affect it. But right now, it looks like we're getting into a zone of stability. So, there is no need for any further pricing action in a significant manner as we have done in the past, unless we are compelled to do that. So therefore, on a base business, pre Hunter, we are ready to move towards an operating leverage. So, as you could see, the number for this quarter is also a visibility from that perspective. Operating leverage has started kicking in and that's where the EBITDA margin is moving towards, 25%.

Now coming to Hunter, we need to look at the holistic business model. On our base business, if we are at the X% of EBITDA, on the incremental business, whatever it is going to deliver, it is straight coming into the bottom line. And that's where we said it will be EPS accretive at the end of the day. And on a combined basis, it should further add value to both organization and all the stakeholders.



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B. Govindarajan: Just to add, Binay, in the coming quarters inflation, as Kalees was mentioning, the super commodity cycle, is slowing down a lot. We can see that it is not that in the same cases there. We also kicked in a lot of value engineering activities because of the volatility in the supply chain which we could not get the results out of it, that will also start flowing in for us in the coming quarters.

Binay Singh: Thanks team. So, is it fair to assume that directionally the trend should be upwards only? And Hunter would not be so low on margins that it sort of distorts the other levers, which all seem to be pointing upwards?

Kaleeswaran Arunachalam: Yeah. Binay, maybe now we will look at Q1 results, and we will get to that as we move forward to the forward quarters.

Binay Singh: And okay, then I'll move onto the next question, which is on the volume side. Encouraging to see the market share trends. But when I look at July volumes, they are the lowest that you've done in eight months or so. So, could you talk a little bit about both the demand side of equation as well as the supply side of things?

B. Govindarajan: Sure, Binay. In the July number, I'm sure you would have seen a shift in the market. The Hunter, which are supposed to be launched around 8th of August, 10th of August. So, the entire pipeline, which has to be worked out in such a way that the inventories are built and also working capital of the dealers have to be managed. So, we have not billed, in fact deliberately, our Hunter motorcycles to the dealers in the month of July. If I have to talk about what's happening in the demand side in India especially, we have reached a good market share in above 125cc. In the middle weight also, we are continuing to grow. The market inquiries are really good. More and more inquiries are there, more and more the desirability of owning the motorcycles are higher. On the conversion level, there's a bit of a pressure point, which we saw in last 30-40 days. But with the Hunter coming in, we see that is getting addressed widely. I think it's an apt time, even in the Indian market with the Hunter coming in at an accessible price point, we'll once again give an uptick on to the demand, which is there in India.

Binay Singh: Thanks. And just one thing, what is an average consumer age now? Because we've been saying a lot about Hunter addressing younger audience. I always thought your average buyer age was actually below 30. Anyway, so what is it for the portfolio now?
Kaleeswaran Arunachalam:
It's about 30.

B. Govindarajan: 29-30 is the average age. Binay, I think what is more important, which you have to look at it is not only the age which has to be looked at. Young can be even from the heart, right? One can look at



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it, well, I want to drive a motorcycle. Even a guy at 60 can feel it. Hunter is a motorcycle which has to be there in an accessible form: Nimble, easy to ride, and it can actually go through an urban city in a tight corners of even the traffic and that more and more a motorcycle which is lighter in weight compared to classic, compared to our Meteor, that's going to address for the people who really love Royal Enfield and they also want to own a motorcycle from Royal Enfield with a particular format. And that's what is in Hunter, which is going to give an additional volume to us. Our average age of the consumers are coming down. More and more young guys are actually coming into the fold of Royal Enfield, fundamentally because as we mentioned, as a focused company, we are looking at motorcycling as a company rather than a motorcycle company. And that's where the younger guys are enjoying the motorcycling as a culture in Royal Enfield.

Binay Singh: Great. Thanks team. And best wishes for the Hunter launch.

B. Govindarajan: Thank you.

Kaleeswaran Arunachalam: Thank you.

Moderator: And next, Jinesh Gandhi from Motilal Oswal.

Jinesh Gandhi: Yeah, hi. My question pertains to the RM cost pressures, which you talked about. So, is it fair to say the entire cost pressures are now in the P&L, and second quarter onwards, there would not be a material impact going forward?

Siddhartha Lal: That's right, Jinesh. We don't see any significant headwinds on the material cost as we stand right now.

Jinesh Gandhi: Okay. And can you talk about the price hikes taken in Q1 and Q2 so far?

Siddhartha Lal: We have not taken any price increase in 2Q2Q. In Q1, we have taken about ₹3,000 per vehicle in our 350cc portfolio, and in Twins we have taken about ₹5,000.

Jinesh Gandhi: Okay. Got it. And secondly, with the supply side issues now, given that we have on boarded additional supplier on the EBS side and broader improvement, would it be fair to say that going forward, based on the current visibility, there will not be any material supply-side related bottlenecks?

B. Govindarajan: With the visibility we have today and the actions which we have taken to protect, and it is different levers, right? You have to look at sourcing, different countries sourcing, different levels of



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sourcing. One more is holding inventory, trying to manage the whole situation. I don't see supply chain volatility to be a major problem at this stage. It is slowly settling down. From a sheer efficiency of a supply chain perspective, should I say that everything is in order? It may take some time, but it is not disturbing us.

Jinesh Gandhi: Okay. And Kalees, can you talk about the state government grant which you alluded to in the opening remarks? What's the quantum?

Kaleeswaran Arunachalam: So, it's about ₹40 crores, Jinesh. I think you need to look at this together along with the mark-to-market. So, for the quarter, because of the interest rate hikes that we have seen, we have to take a mark-to-market action of about ₹120 crores and then we have about ₹40 crores of state government incentive in the form of soft loan that has been obtained. So, we have done an NPV accounting for that. The fair value accounting has taken about ₹40 crores into the P&L. So, net-net, between mark-to-market and in terms of the incentive NPV that we have accounted for, we have lost about ₹80 crores. And the mark-to-market, as you would know is notional. It would start accruing in the forward quarters.

Jinesh Gandhi: Sure. And this ₹40 crore would be part of operating other income or other income?

Kaleeswaran Arunachalam: It's part of other income.

Jinesh Gandhi: Got it. Thanks. I'll fall back in queue. Thank you.

Kaleeswaran Arunachalam: Yeah.

Moderator: And next is Kapil Singh from Nomura.

Kapil Singh: Yeah, hi. Good evening team. Firstly, Kalees, one question to you. If I look at the difference in the consolidated and standalone revenue, it's quite high this quarter. It's about ₹150 crores. Normally, it's quite small. So, if you could give some color over there, please?

Kaleeswaran Arunachalam: So typically, if you look at our international business, the shift is slowly moving towards Americas. So, what used to be led by Europe, the business is moving towards Americas, and the lead time for Americas is slightly higher. So, as you look at it today the average lead time for us from India to Americas could be anywhere between, say 8-12 weeks.- So, any shipments that we have done until last week for Americas gets reversed at a consolidated level, because it's in transit. So that's the difference that we're seeing in.



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- Kapil Singh:** Sorry, I didn't get it fully. Can you explain in more detail?
- Kaleeswaran Arunachalam:** It's an inventory adjustment that has been built from the India standalone business, which is not retailed out at the subsidiary level and, therefore, you adjust it at a consolidated level.
- Kapil Singh:** So, these are bikes that are built from India, that's what you're saying. But they are not retailed in the international markets?
- Kaleeswaran Arunachalam:** Correct. Because it's in transit.
- Kapil Singh:** Okay. So that difference is sitting in the revenues over there?
- Kaleeswaran Arunachalam:** Yes, that gets reversed in the console.
- Kapil Singh:** Okay, understood. But then in that case, the India revenue should be higher, right?
- Kaleeswaran Arunachalam:** It is right. So, if you look at from a sequential quarter perspective, India revenue was almost at the same level on a like-to-like basis.
- Kapil Singh:** Okay. So these were shipped in the previous quarter you're saying?
- Kaleeswaran Arunachalam:** Club both. What would have got reversed last time, we would have got as a positive right now. And what are billed this time would have got reversed as a negative. So maybe, Kapil, I can take it offline to give you more bridge.
- Kapil Singh:** Sure. And second, I just wanted to check on Hunter. Govind, you alluded to the fact that there are several customers who come, but there is nothing that is suitable for them, so they have not been buying it. What is the primary reason that those customers have not found something suitable? Is it because they want a different form factor or is it because they think that the product price is too high for them or not as accessible? And also, in terms of capacities because, historically, we've seen that for new products, we end up having a very long waiting period. So, what kind of capacities are you prepared with for Hunter? And do you think you are prepared for the kind of demand and initial trends that you're seeing?
- B. Govindarajan:** I will go from the capacity which you have asked about, yes, we are aware that initially, when we started using the new product launches, we always used to have a supply-demand situations mismatch. But from Classic 350 onwards, you can see in the market that situation wasn't there, because we also have built in inventory and then went into the market. The back end, we have now



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sorted to deliver the Hunter also, because we have tested, everything is ready and that's why we started building the motorcycles also. So capacity was not an issue, if I have to tell you one.

Second you were also asking about who are the customers looking at Hunter and what is the reason? Everyone who are there and who wants to own a Royal Enfield, there's always an expression of love towards Royal Enfield. He comes and then in his journey he finds all the motorcycles which are there, but sometimes they feel that, well, I love this motorcycle, but maybe it has to be a bit more lighter in handling. So Classic is nice, but someone have to like that Classic appeal. And that's why this motorcycle, which we're bringing into him and those people who really love Royal Enfield brand and who likes motorcycling as a culture but wanted bit more agile and a vehicle which is stylish, fun for him to ride and easy to manage. And for this requirement, we found this set of consumers who are yet to be addressed by Royal Enfield with our own research because Royal Enfield as a company, we always say that we make motorcycles only on listening to the consumer more and more. We go to them. the community actually tells us what they want. And this is an understanding which we got from the community that, yes, we need this motorcycle in this particular format, and we landed that motorcycle and it is getting accepted very well.

Kapil Singh:

Okay. Thank you and wish you all the best for the launch.

B. Govindarajan:

Siddhartha, do you want to add anything in this?

Siddhartha Lal:

Sure. We do an enormous amount of work before we launch a product or before we start working on engineering. So, the Hunter was late 2016, early 2017, we started actually conceiving the idea. On the J-series, as you know, which is our new 350cc platform, both the Meteor and the Classic are replacing existing products. So that we call as renovation. But we believe we also needed innovation, which is to get new customers into our portfolio. And while riding and understanding and seeing customers who are not yet buying the Royal Enfield but are interested, this is the kind of insight that we get that they want something which is more agile. They don't subscribe to, let's say, Classic look. I do love my Classic, but some people don't subscribe to that look. Fair enough. But they like Royal Enfield. Some people don't want a Cruiser, fair enough, but they like Royal Enfield, right and we're understanding, who are these customers, what do they want, what is their interest, what are they doing, why and what type of look. So, with all that great insight that we build, we then come up with the concept of a new motorcycle like the Hunter. And as you can see in the past, we've been able to really get the right divisions and get the right segments and understand. So, we've not had one new product which has not hit the market and which has not got the right consumers that we wanted to. So even when we launched a sub-brand of Himalayan called Scram, we got new customers in. We did what we were trying to accomplish because we understand



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the consumer need super well. That's the forte of Royal Enfield, and that's what allows us to bring a product like Hunter, which is really fresh. And we know it will attract a different audience than we've been getting today because we've been told that.

Kapil Singh: Thanks, Siddhartha. Thank you.

Moderator: Next, we have in queue, Gunjan Prithyani from BofA Merrill.

Gunjan Prithyani: Thanks for taking the questions and congratulations on the launch. I have two questions. First, maybe I'll take exports given it's not covered so far. Clearly, it's been a great journey last year. I'm just trying to understand in terms of the overall opportunity, how should we think about exports? How much can it grow? I mean we are at about mid-single digit or high single-digit market share in most markets and when you think about the overall opportunity size, is there something that you can share? How big the market is in the mid-weight category? And what is the aspiration on the market share there?

B. Govindarajan: Yes, sure. Our international story has to be understood, what our thought is. As a company, we don't rush things. We go to the market, understand the market and then grow the market, that's what we did. That's what is the success which we brought in India over a period of time. We wanted to go into the international market with at a particular product specification and we have to come to a level. So, we went to international market first with our Continental GT and Interceptor. It actually opened up a good recognition and an acceptance of Royal Enfield as a global motorcycle brand, fundamentally because it came at a different design level, different quality level because that's where our tech centers started working in seamlessly. At that point, when we started looking at the markets, we said we'll go to one market, one city, one outlet. We will not go and just sign up to all the dealers and distributors. We never wanted to take that route because we are not that sort of a company and we wanted to build a culture of the motorcycling around that. When we are building with our world-class technology centers which are there and our manufacturing facilities is viewed very well, the J-series engine, which is now Euro V compliant, which is now opening a new set of consumers. `If I have to tell you how the acceptance is in U.K., almost about 8,900 people have signed up as the rider community of Royal Enfield. They just came around. So, the community build is taking place in all the countries where we are. Now in the last one year only, we are actually looking at our retail outlets going up. Today, internationally, we have almost 850 retail outlets in multi-brand format and in our own stores. There's a huge potential for us to actually open up the retail stores to go near to the consumers because every country is different and that country has to get suited to their retail outlet. What is giving to us is all the products which we are launching and giving into the market, compared to last year, we have doubled. In my opinion, we



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are working on it and with all the products which are coming in and the market is just getting opened up, we see there's a huge potential for us outside India. The way we hit growth in India is starting outside India.

Gunjan Prithyani:

Okay. Got it. So fair to assume that this can comfortably double from the levels where it is in the next two or three years? That kind of potential is there for market share to reach low -teen levels?

Kaleeswaran Arunachalam:

So maybe just to add to that, Gunjan, to answer this part. I think eventually, today, we are in about 70 odd countries and the size of this market is as big as what is there in India. Our run rate which used to be about 10,000 a year, we are now clocking at 10,000 a month. And we do think it's pretty early days in terms of whatever inroads that we have made into international driven by people, product and the network backed up with CKD in certain markets. So, we do think the journey has just started, and we still have a long way to go, and it will mimic what we saw in India a few years back.

Gunjan Prithyani:

Okay. Got it. My second question is on the domestic again. Now going back to Hunter launch, I know you've covered it a lot in terms of how this bike is different. Maybe I'm just trying to understand, there is already a younger population, which is buying RE. How do you perceive in your thought process, what is the risk of the existing customer down-trading to this? Because there is clearly a risk of cannibalization which can also happen. So, when you are thinking about these three models, in particular, let's say, Classic, Meteor and Hunter, how do you do you market or st the narrative differently that you don't see an existing customer who was looking to buy, let's say, a Classic does not cannibalize into your existing portfolio?

Kaleeswaran Arunachalam:

We brought in the Hunter 350 as a new product. It's two days now, and the Embargo has just lifted today. As Siddhartha was mentioning, our understanding by living along with the consumer, listening to the community who are not part of the Royal Enfield. If your part of the Royal Enfield gang, then you will be having a different view. So we went to the community, we were trying to understand what they want and all. Everybody was looking at a motorcycle which has to be very agile, and slightly lower in weight because that's where they were looking at. This is the Hunter, which is actually addressing to those set of consumers across the globe, not alone in India. As Siddhartha was mentioning, someone likes Classic, we differ there. So, Siddhartha likes Classic motorcycle, I like Meteor in our portfolio, someone else will like a different form. So, we were looking at Hunter is a form, which is actually there for that urban setup and current level of traffic situations. And the younger audience who want to use it for commuting and for my leisure purpose and for my enjoy purpose and for fun, but I need something which is very agile, nimble, easy to handle, lightweight. So that's where Hunter is born.



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Will it come in and then take the Classic market away? It can't. But will there be a borderline to some extent here and there? Probably yes. But that's how the market will mature over a period of time, that's how it would be. We don't see, as a company, that it is the same vehicle, it is different. Because that's what consumers told us, and that's how we brought the vehicle there. And we are seeing in the last 1.5 days, whatever the new inquiries bookings which are coming up, it is encouraging to us to see that they are new consumers who we been looking at that these sorts of consumers have to come in and enjoy the motorcycling in the Royal Enfield brand. That's what we wanted and that's what is happening as of now.

Gunjan Prithyani:

Okay, sure. Thank you so much.

Moderator:

And next, we have in queue Hitesh Goel from CLSA.

Hitesh Goel:

Thank you for taking my questions. I have two questions. First, I wanted to get a perspective from management, before COVID, in peak, we used to do 75,000 a month kind of domestic volumes, right? And we have seen the impact on volumes in the domestic market, which I believe is due to pricing because the brand has not been impacted, you have been launching a lot of products also and the product feedback is pretty good. So, do you think this number will start coming in next two years when the income increases and there's no increase in prices from here on if there's stability in commodity prices, so what is the thinking on that?

And secondly, on exports front, you have talked about brand getting established. So, should we assume margins will go up significantly there because of scale, you would give lower retailer margins, right? Because initially to build a brand, you've given higher retailer margins, I would guess, and the promotional expenses will come down. Just a sense on these two aspects.

B. Govindarajan:

In terms of domestic market, pre-COVID to post-COVID, I think let alone the motorcycles, all the products are being looked at, how will the market come back post-COVID situation. I think it is just coming up and it's coming to the normalcy level. Not that it has come to the pre-COVID level for everyone, any product for that matter. So, when the COVID situation comes in, it will be bad for everyone in the same speed with which the market grows. Hunter will add us more volume into the overall, that's what we are expecting our growth will be there. The next question which you are asking is about international margin.

Kaleeswaran Arunachalam:

So, Hitesh the journey of international within the market is into two parts. We have developed markets and developing markets. Developed markets is already margin accretive to us. So, any further growth will only further add towards. There are markets like Brazil, which has got huge



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potential in terms of what it can offer as volume to us. Having said that, as you would note, there are challenges around the entire tax structure and the forex structure. So, we are trying to see how to go about it, and one by one we are sorting that out. And over a period of time, as scale improves, these markets will also start mimicking operating leverage that we have seen in the past for Indian business.

Hitesh Goel: Any clarification on the retailer margins in developed markets? Has they come down where you have established a brand like Argentina, Colombia, Thailand, just to get a sense on the trajectory of the margins.

Kaleeswaran Arunachalam: Just as an example, we do take a call on that, depending upon the country's growth, margin profile, potential and what is there in the future, we have done that in the past. But I wouldn't want to give any forward guidance on that as to would be the way forward for it. That's a lever that is available.

Hitesh Goel: Sure. Thank you very much.

Moderator: Due to time constraints, that was the last questions. I would like to hand over to the management for closing remarks.

Siddhartha Lal: Thank you all very much for attending this. As you've seen, we're a company on a mission and moving forward rapidly. And we have an Investor Day on day after tomorrow. For those of you who are coming, we will welcome you tomorrow evening. And so those who can't make it, we will be broadcasting, and we'll have a pretty intense day of presentations to explain what we're doing on our business model, our plans, all of that. So, we urge you to join online in case you're not attending physically. Thank you very much and look forward to seeing you soon. Bye-bye.

Kaleeswaran Arunachalam: Thank you very much.

B. Govindarajan: Thank you very much.