

May 13, 2024

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National Stock Exchange of India Ltd.
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Scrip Code: HEROMOTOCO

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MUMBAI - 400 001
Scrip Code: 500182

Sub: Transcript of Earnings Conference Call for the quarter and financial year ended March 31, 2024

Dear Sir(s),

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find attached the transcript of the earnings conference call held on May 8, 2024, for the quarter and financial year ended on March 31, 2024.

This is for your information and further dissemination.

Thanking You,

For Hero MotoCorp Limited

Dhiraj Kapoor
Company Secretary & Compliance Officer

Encl.: As above

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“Hero MotoCorp Limited
Q4 & FY2024 Earnings Conference Call”

May 08, 2024



Management :



Mr. Niranjan Gupta
Chief Executive Officer



Mr. Vivek Anand
Chief Financial Officer



Mr. Ranjivjit Singh
Chief Business Officer – India BU



Mr. Swadesh Srivastava
Chief Business Officer- Emerging
Mobility BU

And **Umang Khurana**, Head - Investor Relations & Risk

Analyst:

Mr. Joseph George – IIFL Securities Limited

Moderator: Ladies and gentlemen, good day and welcome to Hero MotoCorp 4Q FY24 Results Conference Call hosted by IIFL Securities Limited.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Joseph George from IIFL Securities Limited. Thank you and over to you sir.

Joseph George: Thank you, Michelle. Good afternoon everyone. On behalf of IIFL Securities, I welcome you all to the Fourth Quarter FY24 Results Conference Call of Hero MotoCorp. I also welcome the senior management of Hero MotoCorp to this call.

Now, I hand over the call to Mr. Umang Khurana – Head, Investor Relations & Risk to take the call forward. Over to you Umang.

Umang Khurana: Thank you, Joseph. Thanks so much for hosting us, thanks Michelle. Hello everyone and welcome to the Quarter 4 and Full Year ‘24 Call for Hero MotoCorp.

We have on the call with us today our CEO - Niranjan Gupta; we have our CFO - Vivek Anand; we have our Head of India Business Unit - Ranjivjit Singh and we have Swadesh, who is our Head of EMBU, as well.

As usual, we will start the call with opening comments from Niranjan. Niranjan, over to you.

Niranjan Gupta: Thanks Umang and thanks everyone. Good afternoon, good evening, good morning, depending on where you are joining from, welcome to our Earnings Call.

These are exciting times. We know India is in the middle of the biggest exercise in democracy with elections halfway through. The GST, as we just saw, for the April month has crossed ₹2 lakh crore mark indicating that consumption is back. And of course, the forecast for monsoon appears to be normal as of now. And coming to our sector, April month just saw a 30% growth in the two-wheeler sector. Very exciting time, even globally rates have peaked, inflation is tapering, so lots of positives to take for the coming year and years moving forward.

These are exciting times at Hero MotoCorp as well. They are reflected in the results that we declared just a while back. The year has been the year of maximum number of launches while making big strides in the premium segment. On the customer experience as you already know, we have ramped up to more than 400 Hero 2.0 stores at the speed of more than one store per day. This is going to completely revamp the customer experience, not just for us but for the industry as a whole.

Our Parts Accessories Merchandise business continues to roar and grew double digits. In the last 3 - 4 years, we have actually doubled the whole revenue size of the PAM business. Our global business came back in the Quarter 4 where we got to a market share of 7.2% with a 230bps improvement. Our EV, where we continue to build the infrastructure, which is 180+ dealers we have expanded to and 120+ cities that we have expanded to. And our margin shape continues to be healthy, in fact in Quarter 4, it's improved to 14.3% with 130bps up which actually allows now disproportionately more investment behind the new launches, the brands and the growth priorities. All of this resulted in the highest-ever revenue and the PAT for our Company.

As we move forward, the excitement will continue. There are more launches in the offing, as you would have read, we are going to launch Xoom 125, Xoom 160 - the scooter launches in the first half, you will see more, some more forays into premium segment as well. And we can confidently say that we are poised for accelerated growth moving forward for the FY25 and beyond.

At this point, let me hand over to our CFO – Mr. Vivek Anand to introduce himself, as well as to talk a bit about the numbers and the margins and whatever you want to, Vivek, over to you.

Vivek Anand:

Thank you Niranjana. Good afternoon, good morning, good evening depending on which part of the world you are joining from. I hope your families and colleagues are staying healthy and doing well.

A bit about myself, as Niranjana said, I joined Hero MotoCorp on 1st of March that is just two months back and going through my 90-day induction as we speak. I am privileged to participate in this call as CFO of Hero MotoCorp, and I look forward to working closely with you and connecting with all of you in the coming year.

I am pleased to report strong financial results for Hero MotoCorp for the period Quarter 4 and Financial Year 2024.

Starting with Quarter 4 FY24 Results, we clocked revenue of ₹9,519 crores, reflecting growth of 15%, EBITDA margin at 14.3% improved by 130bps over the same period last year and PAT at ₹1,016 crore which is 18% growth over last year.

I will move on to the full year Financial Year '24 Results. We reported our highest-ever revenue and PAT. The revenue amounted to ₹37,456 crores reflecting growth of 11%. EBITDA margin at 14% improved by 220bps over the last year and PAT of ₹3,968 crores which is 36% growth over last year. PAT before exceptional item is ₹4,089 crores a growth of 40% over last year.

The ICE margin improved to 15.3%, this improvement was driven by operating leverage, mix improvement, cost savings and pricing action. We continue to invest behind brand building and new products and segments. This quarter, the impact of spend on EV business on our margin was 130bps, thereby taking the overall EBITDA margin down to 14%.

Going forward, we will consistently grow volumes thereby improving operating leverage, aggressively grow our premium portfolio, continue to grow PAM business in double digits, intensify cost saving initiatives across the value chain. While we do all this, we will continue to invest behind new products and segments including EV and premium, going digital to enhance customer buying experience and new product development.

With this, I will move to the dividend. Earlier today, the Board recommended a final dividend of ₹40 per share. Therefore the total dividend for the year, includes special dividend, amounting to ₹140 per share, which reflects strong payout ratio of approximately 70% of profit.

On that note, let's open the floor for Q&A. Over to you Umang. Thank you.

Umang Khurana: Michelle, let's now take questions please.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Aryn Pirani from JP Morgan. Please go ahead.

Aryn Pirani: Hi, thanks for the opportunity and congrats on a good set of margin performance in a seasonally weak quarter. My first question is on, how do you see Hero's market share segmentally as well as on an overall basis moving in FY25, because FY24 as you rightly mentioned, was the year of a lot of launches, many more than what we have seen Hero do in a single year. So, how should we think of market share on an overall basis and segmentally because, while overall growth and margins have been strong, market share is still something which where, I think, even you would expect a better print?

Niranjan Gupta: Aryn, thanks for the question. I will start off and then I will hand it over to Ranjivjit to talk about. Clearly the two segments where we can see an increase in the market share in a good quantum, and I would not lay out the number Aryn, but one is premium - because we have launched 3 big brands, Harley-Davidson X440, Mavrick 440 and before that Karizma. We just launched them in the last year, and this year, as you heard us, that we are going to put investment behind scaling them up and brand building. So, that's one, of course there are other things going on in the premium segment, of our Premia store, the 2.0 upgrade, the digital journey, the customer experience - so it is a full 360-degree approach to 'Winning in Premium' - in the segment. This other segment that where everybody would see and we will see an increase in market share is 125cc, where the Xtreme 125cc, which has been launched very recently, has been received extremely well. On that note, let me just pass on, so these are two things while we continue to fortify our core, and continue to build our global business. Ranjivjit, talking with more elaboration on these two.

Ranjivjit Singh: Namaskar everyone. This is Ranjivjit here. So, yes absolutely Niranjan, I agree, what you have already covered extremely well is the premium. We have launched the products, now it's about building them into power brands. We are also, as Niranjan said, opening up new distribution. So, there are Premia stores that have come up already, about 9 opened up by end of March and already we have another three, four, and we are going to be opened and about 100 -150 by the

end of the year. It is pretty good in terms of the whole customer experience that we will be able to provide for premium. In addition to that, the 125cc segment will see market share improvement from us, not only from Xtreme 125, which of course is very well received, but also Super Splendor, which is where we have strengthened the value proposition. And Glamour, the classic one which we call the Glamour Magnetic is doing very well in the South, in AP, Telangana, also in the East.

So, overall the 125cc motorcycle segment is also doing well. Scooters, also we have a couple of nice things planned in terms of the launches, which you have seen in EICMA, you have seen for Xoom 125, and a couple of refreshes that will come through. There again, we will see improvement and of course we will keep the moat around our Deluxe 100 and Entry to make sure that the customers continue to shower their love on these brands and these segments. So, overall, we are well positioned for FY25.

Amyr Pirani:

Thanks for that. Just a follow up, could you also mention what percentage of your existing traditional stores have moved on to Hero 2.0 and if there are any early trends, after you had this new kind of a lineup and the Hero 2.0 stores have grown? Any kind of change that you are seeing in the kind of customers who are walking in and the kind of interest which is generating, if you have done any study on that.

Niranjan Gupta:

We broadly operate with around 1,000 primary stores and then of course secondary networks we have got almost 6,000 touch points. But your main dealer network consists of around 1,000 touch points. There are already 400+, by the end of the year we would be covering 60% - 70% of those. And then probably we will look at upgrading some part of the secondary network.

The early read of all of these, the scores that you talk about, clearly there are a couple of metrics that we measure, Ranjivjit will talk about that, but clearly those measures are showing that they are much better in the new stores, as compared to the earlier stores and Ranjivjit, why don't you also talk about what's special about the new store, just in couple of minutes.

Ranjivjit Singh:

Yes, so when you enter the store now, it gives a very premium, a very differentiated look, it's totally uncluttered. The products really that are on display, you get invited to them and we are not only talking about the hardware here, we are talking about the skill-set of the people who are attending to it and they have gone through a lot of capability building in terms of training. All of this really results into a better conversion rate. And also, we measure happiness and customer satisfaction and the overall experience. And in the industry, we also track the NPS.

We have significantly improved from the previous version of stores. The clientele is also facing a whole lot of premiumization going on, because the whole experience is so much better. And with the XTEC versions that we do have, they become very compelling in that kind of an environment. So, it's very positive in terms of the way the customers are taking to the new formats, over 400 already done and well on the way for even covering many, many more.

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

Gunjan Prithyani: Two questions from my side. Firstly, on the market - April, like you flagged, it did seem like a very strong month for the industry as well as Hero, so any change in market sentiment that you have observed, the little bit of festivity, marriage season on the rural or the bottom of the pyramid. So to say, anything that you can share around the market at the lower end of the segment or entry segment?

Ranjivjit Singh: I think what we have seen Gunjan is definitely a heightened, a much better consumer sentiment overall that drives positivity. Also, there were good marriage dates in April, there were festivals in April, all of this drove the whole industry up. And we did quite well, we did better as well. And then coming into May, May and June also, although the marriage dates are not as much as they were previously, but there is a sentiment definitely, particularly I would say across even rural and urban spread across both. So, when we see the impact of that on our portfolio, it's very well balanced, very well spread in terms of how it goes. It seems like a positive time with the consumer sentiment being quite positive.

Gunjan Prithyani: So, if you were to hazard a guess, let's say for the industry, would you think a double digit volume growth is still feasible this year given that we still got more to do from a cycle recovery perspective sentiment is positive. Do you see that, is a possibility in FY25 - double digit volume growth?

Niranjan Gupta: Gunjan, we won't go as far as to call out the numbers on the volume guidance. We are fairly confident about our double-digit revenue growth. Now what shape and mix of volume and price and mix and all that happens, that one we will see how the industry navigates through.

Gunjan Prithyani: Okay, got it. The second question is on the new launches - Harley, Karizma, Mavrick - All three of these put together we had a certain volume expectation, roughly 10,000 is what we were earlier talking about between Karizma and Harley so, with Mavrick coming through, how do we see that shaping up because at least the recent month numbers have been a little bit lower than expectations. Anything that you can call out from demand, order book, capacity that gives us comfort on the scale up of these models.

Niranjan Gupta: Gunjan, I will start off and I will ask Ravi to elaborate on the Harley-Davidson X440 and Ranjivjit on the Mavrick and Karizma. We did say that we want to increase the capacity to 10,000 per month of these three - which is the 440 platform and Karizma put together. So, that capacity increase work has happened. We are at that, another one or two months down the line we will have 10,000 per month capacity from a supply point of view.

Individually, as we know Karizma started, Ranjivjit will talk about it, it's a good response, it is building up, Mavrick sales have just started. I am sure you will have seen the ad that we are running in the IPL and hope you like it. And the Harley-Davidson X440 is actually moving up

as we are expanding to more stores. And more on the H-D X440, how it is doing, Ravi, couple of words from you.

Ravi Avalur: Gunjan, we have established the Harley-Davidson at about 10% market share in the markets in which we are present. Customers have reacted very positively to the motorcycle. The look, sound, feel of the motorcycle is very much in line with what customers expected.

Niranjan Gupta: Absolutely. And Ranjivjit on Mavrick and Karizma?

Ranjivjit Singh: The biggest thing that's happening right now on Mavrick is people are really very, very keen to test ride to understand more, experience about it, engage with it. That's currently what's happening. We are also making it available in more and more of our premium dealerships, talked about some of the new dealerships that we have, and how we are placing it there. Just inviting people to come and try it and that's what's building out. So, it's something which is working quite well for us, this entire process and like Niranjan said, we are also quite visible on IPL. Karizma is living up to it, the nostalgia, the legend, the very loved brand that it is. And we are seeing that kind of momentum building up, even the Xtreme 160R 4V, which we had launched last year in the previous quarter that's also coming in a strong way because it's really the fastest in its segment. It's very, very maneuverable and it's something that people are liking. We have got the portfolio, we are doing the right things, customers are coming into our new look showrooms, and they are being greeted by people who have been trained on these products and are able to provide them the kind of experience that is expected of them. So, we are on the right track here.

Gunjan Prithyani: And these are all only on the 400 stores which are Hero 2.0 right, just to be clear, the reach will also increase for these models?

Ranjivjit Singh: Absolutely. So, we will keep increasing the reach and obviously that will have a much bigger impact as we go along through the year.

Niranjan Gupta: And Gunjan not just the reach as you heard me and Vivek also talking earlier in the call, that we are going to invest behind building these brands, because we have launched now the brand awareness, the building of the brand, investments that also will happen. So, across the Board, you can see that acceleration in the actions, very confident about our premium journey now.

Moderator: Thank you. We will take the next question from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Just wanted to confirm the reach for Harley, Karizma and Mavrick, what is it currently in terms of number of stores and where will it get to?

Niranjan Gupta: Harley is present, Ravi, in approximately 200 stores?

Ravi Avalur: 205 stores to be precise.

- Niranjan Gupta:** Very recently added, absolutely. Actually, it was only around 100 stores, recently we have added another 100 stores. So, that will again start helping in terms of, as we build and scale up. Mavrick sales have just started and 2.0 stores which is currently ramped up to 400 stores, which will then go up further. And remember as we put in the stores, as the stores are also picking up and the number of units that you take in per store, the test ride per store, that also keeps ramping up and therefore all that helps.
- Kapil Singh:** So, Karizma and Mavrick are being sold through Hero 2.0 and Harley is being sold through Premia and exclusive Harley dealerships, is that correct?
- Niranjan Gupta:** Plus select 2.0. So, Harley-Davidson X440 is not sold through all 2.0. What happens is within the 2.0, that we then shortlist and we select a few where only H-D X440 is placed.
- Kapil Singh:** Understood. And now the supply constraints are resolved. So, we should start to get into the ramp-up phase?
- Niranjan Gupta:** The supply constraints are resolved.
- Kapil Singh:** Okay, understood. Just one questions sir on financials as well. We saw a good improvement in gross margins this quarter, so if you could just call out both movement in terms of commodity cost, pricing increases in Q4, and thereafter and also, spares revenue for the quarter?
- Niranjan Gupta:** So, Kapil as you know that we don't give the detailed waterfall of the margins. But broadly speaking, Vivek has talked about it earlier, the key drivers of those, and Vivek you can touch upon the parts revenue for the quarter in the previous year.
- Vivek Anand:** So, building on what Niranjan said, I think very clearly the margins are driven by improvement in mix and price. And of course, the correction in commodity certainly helped us both in the quarter and also on a full year basis.
- Niranjan Gupta:** And on the parts revenue, the quarter revenues were ₹1,397 crores, and the full year was ₹5,387 crores. And the corresponding quarter last year was ₹1,271 crores, that's again a double-digit growth.
- Kapil Singh:** Sure, sir. Sir can we at least give the price increases we have taken on average in Q4 and in Q1?
- Niranjan Gupta:** Price increases overall for the full year that we can talk about, those numbers around ₹1,300 - ₹1,400 per vehicle (at company level) which were taken up for the full year. And then offline, you can pick it up with Umang if you need any more details on that.
- Moderator:** Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.
- Chandramouli Muthiah:** My first question is on the electric two-wheeler business, just trying to understand when we expect to be qualified on our products in the market for the PLI scheme?

- Swadesh Srivastava:** Thanks Chandramouli for that question. We are really on our way to be, as an entity we are already have the certificate for PLI. Now the upcoming products, which we have mentioned last time we will be launching very soon in the H1 of this year, you will see those getting the PLI benefits very soon.
- Chandramouli Muthiah:** Got it. So, just to clarify, our VIDA product is already eligible for PLI scheme incentives, is that the correct understanding?
- Swadesh Srivastava:** No. There are two parts to it. One is, as an entity we qualify all the other criteria to be qualified for PLI, where there are the criteria around localization and DVA (Domestic Value Added) and other pieces. Of that, the current products which are being sold in the market are not PLI ready, but the ones which will be coming very soon, as I mentioned the new launches, will be.
- Niranjan Gupta:** In sum and substance, because even the current products will undergo a metamorphosis in terms of new products, and the entire lineup that will be changed in the first half. And therefore, quarter two, you can assume that will be PLI compliant on the products in the market.
- Chandramouli Muthiah:** Got it, that's helpful. My second question is on the ICE scooter business, we had Xoom 110 in the market for more than a year now, was off to a pretty good start. Post the festive season seems to be normalizing a little bit in terms of run rate. Just trying to understand, is there any sort of supply related issue there or is there something conscious that we are doing ahead of the Xoom 125 and 160 launches?
- Ranjivjit Singh:** Sure. Xoom 110 actually is pacing itself very well compared to the market. In fact, the 110cc, that segment declined a little bit; while Xoom 110 is a brand that has grown and gained market share. Probably the only one to do so. People love its ergonomic design, its corner bending lights, the zippiness, the way it is built out and the ride that it provides. So, it's doing well and as I mentioned also that soon enough, we will have company for Xoom 110 which will be Xoom 125 and that will also play its own role in taking up the market shares overall in the scooter market. Coming with that, we are bringing in a refresh also for a color option in Xoom 110 and also in 125cc we will have a refresh there as well. So, we are pretty good in terms of the overall lineup and the performance and the customer appreciation, can't help but mentioning that just in its inaugural year Xoom 110 got six scooter of the year awards- that was really fantastic.
- Niranjan Gupta:** And these are the products and the brand that actually build up. So, that was just the first year. And as it will have the full lineup of Xoom 125, Xoom 160, the whole marketing investment, to leverage all of that, the building of that, the word of mouth. It has been a good start and we will keep building up, few months here and there, sometimes they will be up, sometimes they will be a bit soft but that doesn't matter, underlying the brand has been received very well.
- Chandramouli Muthiah:** Got it. That's helpful and just lastly housekeeping question, if you can share the export revenues for the full year please.
- Umang Khurana:** I will come back on that Chandru.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: My question is on, how are the growth trends we are seeing when we talk about very positive consumer sentiment in March till now, and it is for May, June, April. So, with very broad based now, unlike in the past, is rural also doing equally well as urban or that is not yet the case?

Ranjivjit Singh: So, we have seen March was definitely positive, April was positive. The momentum is somewhat on even now in April, we are also seeing positive momentum. And in May, like I mentioned, the marriage dates are not there. But there is a bit of a jump in the first-time buyers, there is something happening in terms of consumer sentiment that people are prioritizing their personal mobility. And I think overall, therefore we see it as positive momentum and it's quite broad based across the regions that we are seeing.

Jinesh Gandhi: Okay. So, you are seeing some signs of coming back of first-time buyers, particularly in the 100cc motorcycle segment as well?

Ranjivjit Singh: Yes, for sure we are seeing that, we are seeing it in the entry level, we are seeing it in the 110cc, and people are also prioritizing. You know what the other thing that happened Jinesh is, financing is playing a big role in this entire thing. And we have seen penetration increase and so people are taking the leap also towards maybe a better configuration of the motorcycle, of the two-wheeler and they are choosing to take a long term investment, they have been holding off for some time, those who are holding off are now probably saying, I might as well now that I am getting into it, get a better brand, get a better configuration so that I am good for the future. So, obviously, that combined with the retail experience when they come into our dealership, all of this is working well. We are definitely seeing positive consumer sentiment.

Jinesh Gandhi: Yes, good to know. Our second question is on our product portfolio - we have seen a substantial addition in the last 12 months and in first half after launch of Xoom 125 and 160. Will it be fair to say that we would be broadly covering 100% of the ICE two-wheeler market post the upcoming two scooter launches?

Niranjan Gupta: Sorry, what's the question, can you repeat?

Jinesh Gandhi: In terms of the product launches of the whitespaces in our product portfolio today, and post the Xoom 125, 160 launch, would we be largely plugging all the gaps, or you see more gap and more opportunity to launch one on the ICE two-wheeler side?

Niranjan Gupta: Yeah, largely yes. You are right, in terms of the broad spectrum largely the big whitespaces would have been covered. There would be a couple of more that will come in, which will come in probably in the FY25 itself. So, if you ask me this question, let's say in the end of March'25, I would have been completely covered. Which of those launches I will not talk about, will be there. But largely covered, you are right.

Jinesh Gandhi: Sure. And lastly, on the finance penetration, so what it is now for Hero and what is the contribution from Hero Fincorp, that's my last question. Thank you.

Vivek Anand: Yes, so overall finance penetration will be close to 60% and the second part of HFCL is around 30%.

Moderator: Thank you. The next question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Xtreme 125 has seen very good reviews and acceptance. Currently, the monthly volume is around 10,000 - 12,000 per month. How do you see the production sales ramp up, by when do you expect volumes to increase to 20,000 or higher?

Ranjivjit Singh: Raghunandhan, Ranjivjit here. So, it's just an observation when I visit the dealerships during the Dhanteras time, during Diwali, at that time observe how customers are flocking around the trucks when the vehicles arrive and they literally throw their hankies and stuff on the vehicle saying this is my vehicle, this is my color, generally they try and book that. We are seeing a very similar kind of thing with Xtreme 125, and people are very excited about making sure that they get the delivery as soon as possible.

That's something that is very heartening, and you absolutely hit the nail on the head, that currently the demand is outstripping our supply. We are constantly working on this, and we are increasing our supply. So, while we are doing this, just to broad base this conversation in the 125cc and just to be clear, it's not just about the Xtreme 125R, there is also Super Splendor where we have sharpened the value proposition. We tried out something last year and it worked well, we are extending it to more markets. And we are actually working on a campaign also, because Super Splendor has a phenomenal key buying factor advantage which is its mileage, which is 69 kilometers per liter, and people are loving that. And, Glamour is also doing well. So, it's really all this three that will contribute to the earlier question that was asked in terms of increasing the market share. Overall, we are seeing a very good momentum. Also, when the demand for Xtreme 125, it's also then the whole power brand thing starts playing out where Xtreme 160 also gets the pull for people wanting to try it out and discover that that's something that maybe they can stretch themselves too and enjoy a much different kind of an experience. So, overall, this strategy is working well for us.

Niranjan Gupta: The capacity we are ramping up, you spoke about to 1,000 per day by almost June, July, so in the next two, three months, what you talked about 10,000 per month you are selling right now, capacity will get to 1,000 per day, so which will almost be like 20,000-25,000 per month capacity on Xtreme 125.

Raghunandhan NL: Thank you sir, that's very helpful. Sir second question on VIDA. Given that H1 is likely to see more launches, and especially in the affordable and mid-size category and you are also expanding the presence in number of cities. Can you talk about expectations of how you would

see the two-wheeler electric volume, production sales ramp up FY25-26, how do you see the industry acceptance and ramp up market share for your company?

Swadesh Srivastava: Hi Raghunandhan. Yeah, so you are absolutely right, we are expanding our portfolio in the first half of this year, very soon you will hear about it, into the mid and the mass segment as well. And last year was really our year to build the foundation of going to cities and dealers and setting up the charging infrastructure, our own and also interoperability with Ather through which we are present in 200 cities and 2,500 charging points. This year with these product additions, we are going to really be able to play in each of the three segments of premium, mid and mass. With this, we are looking at a significant growth within this year. And we are also, as I mentioned earlier, we will also be improving our cost structures.

On the basis of these two, we definitely see that this year and the next year is going to be our huge year of growth. You will see more launches coming up, I am not setting any expectation on the market share as such, but I can tell you that we are looking at steep growth this year and next year, based on the portfolio and the geographical expansion.

Raghunandhan NL: Thank you sir. Just a last question, exports have seen good improvements in recent months, any thoughts on how do you see the outlook for FY25?

Niranjan Gupta: Yes, as far as exports is concerned, Quarter 4 has been a good comeback of the sorts. We have changed distributors in couple of markets, like you saw in Nepal. We expect Mexico to move up, recent there was a change in the distributor in Nigeria as well. So, all of this augurs well for the FY25. However, I refrain from giving any guidance on next year volume. In fact, there are more market entries you would have seen from our announcement today, which is that we have approved forming a subsidiary in Brazil, we have already talked about earlier on Philippines. So, there will be some of these bigger markets, so we are getting into some big markets where we are changing the distributors which we have changed, and even on the product portfolio part of it there is a bit of change that is happening in terms of putting these in the market. Moving forward the quarters and the years, our international business will be building up.

Moderator: Thank you. The next question is from the line of Arvind Sharma from Citi Group. Please go ahead.

Arvind Sharma: First question would be on the margins part; you made a comment on the impact of EV margin. So, given the 14.3% blended margin, it's a 130bps impact. So, ICE margin was 15.6%, is that understanding correct?

Niranjan Gupta: That's right.

Arvind Sharma: Okay, great thank you sir. Sir, secondly, stake on the margins. Given that you have got quite a few EV launches and are working on the cost consideration, what blended margins would be sustainable. I know you don't give forward guidance, but should EV start being at least neutral if not massively negative on the margins front going forward with the new products coming in?

Niranjan Gupta: Your answer was there in your question itself. So, we don't give any guidance on a margin number. The long-term tramline remains at 14% - 16%. And you can very well see over the past few years, we navigate our path around that, that allows us to deploy investment behind priorities as we deem fit from year-to-year.

As far as EV is concerned, look the whole thing is getting the BOM cost down, and the industry is working on it, we are also working on it in terms of getting it down faster, but the margins on EV are dependent not just on the BOM cost it's also dependent on regulatory, or the FAME subsidy, on the pricing scenario in the market, on how different players feel about that. So, this is a field where I would say that the game has started, let's watch how this progresses. More importantly therefore, instead of margin, the focus is on getting the right cost structure and reducing the cost.

Second is, have a portfolio which is a mix of premium, mid and affordable. And third is actually to have all the infrastructure, including the dealer, the cities and the charging point, make it accessible. So, that's the plank on which we work on. And obviously, we will not shy away from making investments, whether it's in Opex or Capex, as may deem fit for scaling up our EV business.

Arvind Sharma: Thank you so much sir and just one more thing if possible, can you please share the bookings for Xtreme 125, is it possible to share the unit bookings?

Niranjan Gupta: Xtreme 125 is not operating on a booking model, because this operates on a traditional model where the sales are happening. Of course, there are lots of inquiries, which are in the pipeline but as we talked about, we started selling more than 10,000 and the capacity will be ramped up to 1,000 per day, which is almost 25,000 per month. That's the journey on Xtreme 125.

Moderator: Thank you. The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: First thing is with regard to the EV launches. When you are planning to launch two new products, how are you looking at the subsidies arena, do you feel the lower subsidies is the norm of the day and hence you have to launch much lower battery size to fit into that cost or you feel product expectations are still high in the customer level and headwinds will be there?

Swadesh Srivastava: Hi Pramod, this is Swadesh. As you have already seen with the EMPS coming in, the subsidies are lower and FAME III we will see what it really shapes up. But, we are prepared on reduced subsidy as well and obviously as Niranjan mentioned aggressively working on our cost reduction roadmap. So, we will become even more stronger and independent, but at the same time these subsidies are helping the industry and even in the current shape and form it is helpful for the industry, as you already see in the market, people are launching products with the smaller battery, and obviously in our portfolio that also exists and will come out in the due course of time. At the same time, it is important for us as a serious player to make sure that we are providing products which are going to be desirable by the customer, the value proposition is

right for that use case. And as we will not compromise on the competitiveness of the product, while we obviously continue to navigate the category with the right cost reduction and pricing.

Niranjan Gupta:

And as we do that, we feel that EV is not the category which has matured, by any stretch of imagination. And of course, the government has been helping through PLI and through FAME. And we believe that subsidies will be required for a bit longer period of time to support the industry. And once it scales up to a certain level and a level which is more margin viable and cost viable, when it takes off and actually then it invites investment from the players as well, then those can be tapered down in gradual course.

Pramod Amthe:

Sure. And the second question is with regard to the consolidation which is happening within the EV space. Considering your experience in Ather investment, do you see any opportunity in terms of doing the investments in keeping the startups still, especially to get any of the product technologies or you feel it's more of a supply chain game and hence for incumbent like you there is no more scope of participating in M&A, just a thought on that.

Niranjan Gupta:

I think the scope for M&A is always there. So our balance sheet is strong, we are always open for acquisitions, for M&A where it makes strategic sense. And obviously in EV, there may be players, there may be parts of this eco-chain, whether it's the technology or a capability that is up for grabs or up there which can accelerate our own journey, we are always open for that. There are teams which keep exploring, keep evaluating.

But, as you know we always ensure that whatever we strike the deal, it has to be also at the right price which delivers returns to our stakeholders, and not at any cost. But yes, open to M&A and that's what team keeps working towards while continuing to build organically as well.

Moderator:

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

Pramod Kumar:

This is related to the Xtreme 125 launch. Because given the traction what you are seeing on the product and all the other new launches, ideally we should have seen some market share gains reflecting in the Vahan database. But what we are seeing is that we continue to see market share erosion on a Y-o-Y basis, even on a sequential basis. I am just trying to understand, while the products are really good and is a big change from what we have done in the past, but are we losing out a lot because of cannibalization within the portfolio or what is happening which explains the market share erosion. And the related question to that is in terms of marketing spent, because at least me personally, I haven't seen much of ad campaigns from Hero on the new products except for the Mavrick. So, what is the game plan on the marketing investment side going forward?

Niranjan Gupta:

Let me start and then I will ask Ranjivjit to add, of course your questions should not lead Ranjivjit to now raise a fresh proposal for increasing marketing investment to Vivek. But, Pramod the Xtreme 125 has just been launched. So, I don't think we should start measuring market share movement from the first month of launch. It's the product has been received great across the board. And which has led to us actually looking at increasing the capacity, because

brands are not build overnight, but here you see an overnight exuberance on Xtreme 125. But broadly speaking, Ranjivjit why don't you again touch upon you had explained how do we plan to increase the 125cc market share and obviously the way we are going to build the brand, through marketing as well, in the coming year.

Ranjivjit Singh:

Let me break this up into two areas Pramod, one is the market share part and the other one is the marketing part. The way the market share is building out already in April and you will see that it goes along, there's a significant improvement that we are seeing, thanks to all the efforts and I've said this before also, it's about all three brands it's the portfolio that is working, not only the Xtreme 125R. So Xtreme 125R just launched, taken up very well and Super Splendor and Glamour, also contributing to the growth, you will definitely see the results as we go along.

As far as the marketing is concerned, it really just shows that we have targeted right and I just wanted to say this about the Xtreme 125R - the whole approach when we launched it, we had tie ups with the gamers, BGMI and others, and they have been really into it in terms of the younger cohort of customers because that's the lifestyle that we wanted to tap into. That's the opportunity that we wanted to unlock, we did not want to convert our existing customers into Xtreme 125, we wanted to invite a new set of customers, a younger set, and it's been very, very successful in that, in fact the level of brand KPIs of Xtreme 125 from an awareness consideration preference have really shot up thanks to the marketing initiatives that were done. So, not the traditional stuff, not television ads, not too much of out of home, not too much of print ads. So, if you haven't seen it, I am just saying that that's one strategy. And therefore, the younger set are the ones that travels much, much more in terms of word of mouth. Of course, when it gets into much larger volumes and later on in its stage of adoption, then the more traditional ways of communicating may be employed. But for now, it's truly become a pull brand in that sense.

On the other hand, Super Splendor is really working on its key buying factor of mileage and that wherever you go in the market, whether it's out of home or print, or at retail point of sale, you will see the 69 kilometers per liter as a very strong message. And the Magnetic attraction of Glamour, it's unmistakable and unmissable, in East India and as well as in South. So, it's a very clear strategy that we have got, and I just request your patience a little bit, you will see the results in the market share as they come up. And we have a really good opportunity of doing focused marketing not carpet bombing.

Niranjan Gupta:

And just to add on one more Ranjivjit with your point. So, Pramod what we also do is, see some of these would not be on the national media, because there is no point, it's good to invest in marketing but not waste in marketing. You will see some of these brands where we do localized media, where we do state based, where we do regional marketing, and some which we feel is national which we do national, some which will overweight on digital. It is a combination of overall marketing mix modeling that it follows our scientific tools, rest assured.

Pramod Kumar:

Thanks, Niranjan. And Niranjan, spare parts contribution how should we look at it next year? Should the proportion be stable at around 14.5% or thereabout or you expect there's more runway in terms of the penetration, in terms of overall revenue, is it growing higher for FY25?

Niranjan Gupta: Pramod good question, there is a bigger runway is what I believe in. In fact, if you remember a few years back, 3-4 years back, it used to be around 10% - 11% of the revenue and we have talked about that there is a runway and therefore we went into micro distribution, the HGPDs that we call it, so a lot of stuff done out of it in a granular way which actually led to this one. But there is a scope in even expanding this further, which is what the teams are working on. And accessories and merchandise building up, Ranjivjit, if you want to expand couple of minutes on this because this is a business that, in fact we have approved the GPC 2.0 expansion as well. So, why don't you talk about this business and the potential moving forward.

Ranjivjit Singh: Thank you Niranjan for approving the GPC investments as well, because the parts business is actually showing double digit growth, we are supplementing that in terms of the oil business, that's also going quite well. We have also introduced new products in tyres and bike care products that's also contributing and also growing the kitty. And then, like Niranjan said, the focus on accessories and designing accessories at the point of conceptualizing the bikes, at that time and then bringing them in, as you will see in Mavrick, whenever it's displayed in the dealership, it will be with the accessories. And that changes the way the customer really looks at, how their own, the pride of ownership goes up so much. And when you look at the merchandise, again we are doing a complete reimagining of what that merchandise can look like and the spread of that. So overall, you hit the nail on the head, there is a runway for growth and we are on that runway.

Niranjan Gupta: Absolutely and it is a profitable business as we know and as we are launching more premium brand, as we are offering a portfolio, the whole scope in the merchandise, more premium parts of it. Yes, this business is up there setup for even more growth in future.

Pramod Kumar: And then the final one on capex, cash position and investment plans for FY25. Sorry if I missed it earlier, but it you can just refresh on that?

Niranjan Gupta: The Capex, the cash position you know, from the balance sheet point of view, it continues to be strong. From the Capex our guidance remains between ₹1,000 - ₹1,500 crores for the upcoming year which includes, of course, the GPC 2.0 expansion that we have approved, which will be spent over the next two years. We continue to manage by the way, just to add, the team continues to manage the working capital extremely well. So, not only there are cash from operations which are coming through profit, but our working capital management has led to reduction in our receivable days and inventory days, which has resulted also in increasing cash flow through the negative working capital. So, very tight working capital management which is actually allowing the cash position to be even stronger.

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

Aryn Pirani: I just wanted to ask about this announcement of Brazil capacity that you have talked about. It's quite interesting because, the mix in Brazil is very different from the traditional export markets for Indian two-wheelers is what we understand, the mix is more premium. And, so should we

expect more export driven launches on the premium side for you, or you will be using the existing portfolio to try and capture volumes in the Brazil market?

Niranjan Gupta:

In some countries export driven, product launches as well. We know about the Nigeria, we are doing something for Philippines. Now, what we are saying is that as a strategy pivot we are saying that 80% of our resources are going to be focused on the top 10 big markets. And for those markets, if it requires our products specifically to be launched, then we will actually develop those products and launch in those markets. As far as Brazil is concerned, we have tested our current product range, through consumer clinics there with statistically valid sample, and actually lot of products are out with very positive response. So, right now, we will be going in with those. And as you know we will be going in with E27, which is through this ethanol fuel route. But we have the products ready from our current portfolio. Eventually, after that if there is some modification required, some new development required we'll take that on, because Brazil is a big market so as they said, for the big markets, as the customer may require a new product which specifically develop, we would do so.

Moderator:

Thank you. Ladies and gentlemen, I now hand the conference over to Mr. Umang Khurana for closing comments. Over to you, sir.

Umang Khurana:

Thank you everyone for coming on the call. It's always a pleasure. Please feel free to get in touch one-on-one. And we will speak to you soon. Bye, bye.

Moderator:

Thank you, members of the management. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.