



“Eicher Motors Limited
Q1 FY24 Earnings Conference Call”

Aug 3, 2023



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Basudeb Banerjee:

Good evening, good afternoon, good morning to all the participants. Welcome all to the Q1 FY '24 Post Results Conference Call of Eicher Motors Limited. We are thankful to the management for giving us the opportunity to host the call. The top management is represented by Mr. Siddhartha Lal, MD and CEO of Eicher Motors; Mr. Vinod Aggarwal, MD and CEO of VECV, Mr. B. Govindarajan, CEO of Royal Enfield and Ms. Vidhya Srinivasan, Group CFO of Eicher Motors. Without wasting any time, over to the top management. Thanks.

Siddhartha Lal:

A very good evening to all of you and thank you for joining us this evening for Q1 FY 23-24 earnings call for Eicher Motors Limited. I hope you all are well. And yeah, thanks again for joining us. As you've seen the numbers, we've had an absolutely stellar start to this new financial year. We've had a great Q1 and have registered our best ever performance for the fourth consecutive quarter now. We recorded our highest ever quarterly revenue, highest ever quarterly EBITDA, our highest ever quarterly profit after tax, and we had significant milestones as well in both Eicher Motors and in VE Commercial Vehicles last quarter.

At Royal Enfield, we had an absolutely fantastic sales performance in Q1 with more than 2.25 lakh motorcycles sold. So that's over 225,000 motorcycles sold, which is a growth of 21% over the same quarter last year. We continue to define the middleweight segment and grow the share of the middleweight segment in the overall motorcycling space.

In international markets, despite a tough macro backdrop, where the overall market has also been down for motorcycles, we continue to hold and even gain market share across most regions in Q1. The Hunter 350 that we launched around a year ago has really matured and hit all the right cords with consumers in India and around the world now.

As of July, we have a 2 lakh or 200,000+ strong community for the Hunter across the world. And it's been just 11 months. We're really confident that the Hunter brand will keep growing. New customers will keep discovering this amazing motorcycle. It's also a testament to our capability at Royal Enfield of identifying sharply a new segment within our overall framework and chosen segment and going after it with very sharp, very solid, very thoughtful new products. So, it's become one of our higher selling models in just 11 months, which is tremendous.

We've also launched the Super Meteor 650 across most markets in the world and to tremendous response. We've had really, really good responses around the world again as the most refined premium middleweight cruiser. And it's really doing that job well in markets around the world. It's very exciting to see our ideas that we've had over the years come into reality, come into the market, hit the road and be successful. It takes a lot, but we're there, once again, with the Super Meteor 650.

On the EV front, we've made tremendous progress on all of our electric mobility plans. We've grown the engineering team over the last few years and have a very strong capable engineering team. We've now actually also been growing the commercial side of the EV team because it's not just a good product, we need to have a solid business, brand, distribution and every other aspect in EV for Royal Enfield. So, there's a lot of work going on, on all fronts on the EV business as it were.

Coming to VE Commercial Vehicles Limited, our joint venture with Volvo Group. Q1 marks our highest ever first quarter sales for VECV and we're very proud of that. And this is across all business segments. So light, medium-duty trucks, heavy-duty trucks, buses, and components. We've had our highest ever sales in all of the segments there. It's really quite exciting times.

During the quarter, VECV also commenced delivery of the next order of 9-meter electric buses, which is the Eicher Skyline E, we call it, to the Kerala State Road Transportation. We are now really in the thick of electric buses on the road for VECV, an Eicher brand, which is, again, a new journey together and doing well.

VECV is continuing to enhance its service and network through modernization. And in particular, our entire enormous focus on uptime as we've been calling it and as we've been doing it for the



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last couple of years has really paid dividends of being able to give that satisfaction of that modern uptime treatment to customers where they're not used to that level of service, that level of support where their vehicles are just running 99%+ of the time. And that's the promise we give our customers, along with amazing trucks. And that's the reason we're seeing good growth, good market share growth, good gains across the board. Yeah, so that's on VECV.

Coming to consolidated financials for the Q1 FY 23-24. EML clocked its highest ever quarterly revenue actually at ₹3,986 crores with a growth of 17% over the same quarter last year. Our EBITDA crossed ₹1,000 crores, so that ₹1,021 crores, up 23% and our EBITDA margin crossed the 25% threshold. So, it's at 25.6% against 24.5% last year. All of this resulted in a Profit After Tax of ₹918 crores, which is the highest ever and 50% up from last year.

So again, solid growth, solid gains, solid profitability in Eicher Motors. And last week, we also released our Annual Integrated Report for FY 22-23 that captures our performance through the last financial year and our initiatives undertaken by EML towards a commitment for our next stage of growth. And for a stronger ESG vision. I hope all of you had a chance to go through it.

Now I'll hand over to Govindarajan first to take us through the business highlights for Royal Enfield followed by Vinod Aggarwal for VE Commercial Vehicles Limited. Thank you very much, and over to you, Govind.

B. Govindarajan:

Thank you, Siddhartha. Good evening, everyone. Hope you guys are doing well. At Royal Enfield, after registering a stellar performance in FY23. We had a very, very positive start for FY 23-24. We have continued our growth momentum, and it's there in all the products which are growing with it.

To begin with, let me just share with you the numbers in this first quarter. We sold almost 2.25 lakh motorcycles. That's about 225,000 motorcycles in this quarter, which is 21% higher than the last year's Q1. In India, we sold almost about 207,000, it's about 2.07 lakhs, which is about 31% higher than the previous year. As far as the network is concerned, we mentioned that we are not going into the expansion just like that. So, this is the optimization phase, we added during this quarter about 10 new dealerships in India and about 22 new stores in the international markets, taking the total overall network to almost about 2,034 in India and almost about 1,090 outside India.

During this quarter, we also inaugurated our new CKD facility outside India at Birgunj, Nepal to address the growing demand in Nepal and in the SAARC region. This is our fifth CKD plant along with the CKD plants which are already there in Brazil, Colombia, Argentina, and Thailand. The new CKD facility at Nepal will actually locally assemble our entire range of motorcycles for that particular market. We have already done almost 1,300 numbers out of that facility in Nepal.

As Siddharth mentioned, we have made significant progress even in our EV journey. First, the focus had been on the technical area to get the right kind of people. We have almost about 100+ people who are dedicated and who are working on this area. As we mentioned in the last call also, we are now into the execution phase. Now we are moving into the commercial side, where we are building up our own team. And we are also into the supply chain side, focusing on make versus buy. Which are to be made in-house, which are to be bought out and onboarding suppliers for the cells, motors, controllers, etc, that's an activity which is happening. So that's in full speed now in the EV as an implementation phase.

You all know Royal Enfield is all about community. We work with the community. So, one such thing is our Motoverse. So last year, we had almost 18,400 people who registered for that. This year, Motoverse is once again open for registration. Some of you please do join along with us. It's a 3-day festival, which you all should be there. It has been heartening to see the response after we opened the registration, in thousands, which has already started coming in.

On the ESG, there's a lot of focused effort, which has been going on in this. We have made significant progress in reducing the carbon emissions at our factories. We have almost 39% of our



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total energy consumption which is now renewable energy, which is almost a 4x increase in the renewal energy consumption over the year. All our plants are zero discharge, and we also looked at water positivity. So, the water positive index for all of our manufacturing plants is 2.6. It means the water which we are consuming, we are actually percolating more into the mother Earth. That's how it is. In this year, our key focus is also zero waste to the landfill, which we are taking on in every value chain of our entire supply chain.

In conclusion, at Royal Enfield, it has been a very great beginning in this quarter and working towards sustaining and growing this momentum in the time to come in this year. Now I will hand over to Mr. Vinod Aggarwal to take you through the VECV performance. Over to you, Vinod.

Vinod Aggarwal:

Thank you, Govind, and thank you, Siddhartha. Very good evening to all of you. Let me start with giving you an update on the CV industry. CV industry has done reasonably well in Q1, with Bus segment and Heavy-Duty truck segment in the industry growing, Bus segments have grown, in fact, by around 35%. And agri-truck segments have grown by 10%. However, there has been some drop in the light and medium-duty trucks. At the same time, going forward, with the economy continuing to grow and good monsoons and infrastructure investments continuing, it is likely that the CV industry will continue to grow in the balance part of the year also.

Now coming to our performance highlights in brief. Our heavy-duty trucks, both combined Volvo and Eicher trucks, had the highest ever Q1 sales of 5,166 units as against 4,006 units last year quarter one with a market share of 9.4%. In light and medium-duty trucks, we had the highest ever Q1 sales of 8,308 units as against 7,515 units with a market share of 36.9%. As you all know, last year, our market share was 31.2%. So, the first quarter was 36.9%. In the bus division, we had again the highest ever sales of 4,907 units in the first quarter as against 4,219 units, with market share of 25.1%.

Export markets have continued to drop, and they are under stress. And our sales have also dropped significantly. Our sales in Q1 was 716 units with a drop of 58.1%. We had the highest ever quarterly parts sales with combined both Eicher and Volvo trucks and buses of ₹478 crores, registering more than 25% growth in quarter one of the current year. Then we had the highest ever quarter one turnover of ₹424 crores in our components business, registering more than 18.5% growth over last year quarter one. And we had, again, the highest ever Q1 sales of 14,816 VE Powertrain engines registering more than 21% growth over previous year Q1. And we have seamlessly transitioned the entire range of trucks and buses to the Indian BS-VI OBD2 standards that came into effect from April 1, 2023. And we continue to strengthen our position in the truck segment with the introduction of new variants, which will cater to the growing e-commerce applications. And on the electric vehicles business and as well as the network and our other after sales initiative, Siddharth has already briefly mentioned, so I'm not covering that here.

Now giving the VECV's financial performance. For the first quarter, our total sales for quarter one have been 19,571 units with a growth of 12% over previous year quarter one of 17,469. As you all know, the industry 3.5 tons and above, the growth was only 0.5%. So, we have outperformed the industry, resulting in our all-round market share growth. As far as revenues are concerned, for Q1, we had a total Income from Operations of ₹4,991 crores, as against ₹3,934 crores in Q1 of last year with 27% growth. Our EBITDA for Q1 has been ₹387 crores as against ₹218 crores last year with a growth of 77% and EBITDA margin this year has been 7.9% in Q1 as against 5.7% last year. Our Profit After Tax has been ₹180.5 crores as against ₹59.4 crores last year Q1. And our PAT percentage for the current year quarter one is 3.9% as against 1.5% last year. Now, I hand it over back to Siddhartha to take it further.

Siddhartha Lal:

Thank you Govind and Vinod, for the updates on Royal Enfield and VECV. And thank you all for being on the call with us today. It's been an absolutely tremendous first quarter for us. And it's a great start for us to the year. We at EML, we are committed to constantly elevate our product offering, our business. And this year, you will see a lot more exciting things from us in terms of new products, in terms of business development, and other areas. So, lots of interesting things are going on. We are a solid focused team at EML. And on the RE front, a very motorcycling first, motorcycling oriented team. We have a robust, long-term thought process, strategic plan that we



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go after and world-class capabilities, infrastructure, and outstanding product lineup. We continue to evolve, we continue to expand our network, our capabilities, our stores, our distribution, all of that. And we truly believe that this will continue the growth for EML in the coming years both on RE Front and on the VECV front. So that's it from my side for now, and over for questions. Looking forward to hearing from you guys now.

Basudeb Banerjee:

Thanks sir. We can start the Q&A session. Requesting all to raise your hands if you have any question. And also, kindly restrict your questions to two per participant, so that we can maximize the number of people asking questions. We will start the Q&A with Jinesh. Now you can start.

Jinesh Gandhi:

Yeah, hi. So quickly, starting with Royal Enfield performance, so can you talk about the divergence in margin performance versus the mix? So, we had lower share of exports and higher share of Hunter, but still margins have improved quite substantially. What has driven this margin on a YoY or QoQ basis?

Vidhya Srinivasan:

So basically, margins have gone up about 1.5%, which is the impact of price hikes that we had taken on May 1, that is flowing through the margin. Apart from that, about 0.8% is on account of the savings in sourcing costs, which we talked about last quarter as well. And of course, the international mix is therefore weighing down, so that's essentially making up the overall growth in margin.

Jinesh Gandhi:

Got it. And we have seen a very sharp increase in employee costs, any bunching up in the first quarter or this is the normal run rate now?

Vidhya Srinivasan:

Well, actually, it's a combination of multiple things. One is, of course, we had increments as far as the first quarter is concerned. Apart from that, a little bit of increase in the number of employees because obviously, our production volumes and sales have also ramped up. So, I think that is also kind of adding to the employee costs, a little bit of gratuity, but yes.

Jinesh Gandhi:

Got it. So again, the last question is on the export market. So globally, we have seen some calibrations in a number of outlets on multi-brand ownership, they have come down from 950 in the fourth quarter to about 820 now. So, what are we doing there? I mean, is it just a network optimization, what we're doing? And the second part question is we have also talked about Studio stores in international markets. So, can you broadly touch upon your evolving effort strategy for the international market? That's my last question.

B. Govindarajan:

Yes, Jinesh. The international market, I think in one of the calls, we also discussed, we are a long-term aggressive company. We don't want to do anything in the here now or rush into this. We believe that it has to be a pull brand. That's how we are. Go to the market, develop the market, let the community enjoy motorcycling. Let them start demanding for Royal Enfield motorcycles. That's how it goes. Wherever we have entered in the last three years, we have gained a market share of almost about 8% averaging, and in a few markets, we are almost about 9.2% too. What are we doing there? As I mentioned, community building is the first activity which we are doing. A lot of new products which we are now lining up, which are all export worthy because statutorily it should match to all these things. So now Royal Enfield makes only the global product.

In terms of reach, we have as of now about 1,000 retail outlets. Most of them are multi-brand outlets, not a studio store format barring about 14 or so is our own. So, in those areas, what we are looking at is slowly increasing the reach through the multi-brand outlets. At a point of time, Royal Enfield multi-brand outlets, we have to go and search for people. Now there are a lot of people who are showing interest because the brand is known. The products are very good. Acceptance is very well. That's where our focus is. So, it is all about community building, new product launch, taking into this market, looking at the relevance for that and reaching out to the consumers, setting up of the entire service network, which is required. The entire background activity which is required for the growth is what is the focus and that's happening.

Jinesh Gandhi:

Okay. But are we also looking at the studio store format? That's what the presentation talked about.



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B. Govindarajan:

Yes. Jinesh, there are different formats, right? In India, we have a dealer format. We have a studio format, and why we have it is depending upon the size of the market, depending upon the ecosystem's dealer profitability, which one is better. So, we have our own exclusive stores in the markets and the sizes vary depending upon the market sizes and all. So, the studio format per se of just having four motorcycles and all those things may not be there in the international market immediately because there multi-brand outlet is a way of life. At the multi-brand outlet, now we are getting the prime space wherever we are going. So that's how we reach the consumers in the international market.

Basudeb Banerjee:

Thanks, Jinesh. Next, we have a question from Chandramouli.

Chandramouli Muthiah:

Hi, good evening and thanks for taking my questions. My first question is just on the competitive landscape. So, we've been sort of early leaders creating the middleweight market in India. And there are some other sort of credible competitors looking to compete in this space. We've always been sort of a long-term thinking company. So just wanted to hear your initial thoughts and your initial read on sort of the current situation and how you see it progressing overall?

B. Govindarajan:

Siddhartha, maybe.

Siddhartha Lal:

Yeah sure. So, I mean this is an inevitable question, but also I mean competition is in itself inevitable. Over the course of the last 15 years, we have really grown the segment from sub 50,000 units, and I'm talking about the mid sized space in India, I'm talking about right now, which is 250 to 750 cc. We've grown it from sub 50,000 to nearly 1 million units to 10 lakh units. So, it's been a lot of work. And in that time, we've had lots and lots of competition. So, it's not that we haven't. This is just a new wave that we are seeing right now. But we've had lots of competition from all the Indian manufacturers, from various European, American in different forms earlier, now it's different. But also, let's not forget from the biggest Japanese companies in the world as well, right? So, we've had competition from every angle coming in, direct, indirect, head on, not head-on and we've been able to fend off the best so far, and we plan to do that again. I mean but, in our way, in the way we do things, right? So, it's not directly competing. It's not fighting directly. It's not worrying about them too much individually, but more about continuing to strengthen what we do and what Royal Enfield does really well and continue that journey, right? And we've really created a tremendous brand. We've created a really tremendous brand.

And it's not just the name Royal Enfield, it's the fact that it's on the tip of the tongues of intending buyers of motorcycles. So, it's more than just up there in the air. It's literally when you ask young people, what is the premium motorcycle in India. It's Royal Enfield, right. That's what they say, and that's what they believe. And there are so many things we do to fortify that, right. And that's the community that we do. It's the distribution, you go into a Royal Enfield store, it looks nicer. The salespeople are trained better. They are able to offer you more stuff. They're able to talk to you better. So, it's just a totally different experience from our brand, right? And it's not something you can replicate very quickly. So, We continue to build all the strengths that we have, the community that we have, which is over 10 million strong, things like resale value of our bikes, which is much higher than others.

So, all of that which fortifies the premiumness of our bikes and having said that, we have over 90% share. So, at some point, it's possible that we could go down a bit because its the only direction we can go if you're 90% plus which is fine with us. I mean, not that we will give it on a platter. But we believe that the market is there to be grown. So, from 1 million, we believe that over the next couple of years, it could grow to 1.5 million in the next decade to 2 million and beyond. So, to be 80%-85% in a market which is double the current size is okay for us. I think we're quite happy with that. And so yes, that's our take, I mean I think there's certainly credible competition. But there always has been. Let's not forget that. And we've managed to fend them off more so far and we certainly have our thoughts and strategies to continue to focus on our growth cycle. And I think most importantly, what I want to leave this conversation with is our focus on customers. We are not focused on competition because we are focused on customers, right? We are seeing what's in their best interest, what gets them motivated, what gets them excited. We're



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not fixated on any one third-party who has nothing to do with us. We are fixated on our customer and our brand and our company. That's what we look at. Thank you.

Chandramouli Muthiah:

Got it. Thanks. And that's very helpful. And my second question is just a related question on the product side. So about 12 months back, during the analyst meet, we had revealed plans to launch between 13-14 new products over the medium term. I think we have delivered now on the Super Meteor 650, and we also announced the Bullet J series. So just trying to understand the remaining sort of 11-12 products in the product pipeline, what sort of time frame should we attach to that? Is it sort of 3/4 years? Just trying to understand the cadence there.

B. Govindarajan:

Chandramouli if we have to tell you 3 years, 4 years, yes. But the only thing is we have a skew of new products, which are very differentiated, which will give you a very differentiated experience for our consumers. Some of the products are ready, and we also want the product to get matured into the market when we launch. So, we also take some time and then launch it. But today, we have almost 400 and odd guys who are working in our product development and their component development area. So now we have a slew of new products which are ready, which are going to be launched in a particular time interval. We will space it. We won't be in a hurry to do anything because we are not that sort of a company just to answer something. We will space it; we will bring it. But whenever we bring, always, we have been a very disruptive product company, and that's what you will see when we are coming out with the new products in time to come.

Chandramouli Muthiah:

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

Basudeb Banerjee:

Thanks. Next, we have a question from Pramod Kumar.

Pramod Kumar:

Yeah. Thanks a lot for the opportunity. And congratulations on a good set of numbers. My first question is pertaining to the other expenditure line item. Is there anything related, which is causing the downward pressure there? It's kind of reasonably lower QoQ? What do you do with the launch cycle, given that we did not have any launch, and should we expect that?

Vidhya Srinivasan:

So, I think you've answered the question. So, it's a little bit of a timing issue as well because we don't really, I think our marketing campaigns, launch expenses have really not kicked into high in this particular quarter. And we've also had a little bit of travel expenses, which are a little bit muted right now.

Pramod Kumar:

Fair enough. And the second question is on the spare business or the non-vehicle business. If you can just help us understand how has that kind of shaped up during the quarter? And how are we doing on the whole non-vehicle ambit, which is basically our accessories or spare parts revenue, all of that?

B. Govindarajan:

Non-motorcycle business, which is our apparels, accessories and soft products, spares, Pramod. In this quarter, it has almost about 25% growth compared to last year, and it has been growing very well. Our accessories, we are adding SKUs more. Our accessories actually for the existing motorcycles, anyway it is during the consumer journey, it goes through the MiY page. And then he can configure that against styling, safety, comfort, that's what the vertical which we give it in the motorcycle accessories. But also for the motorcycles which were sold about three years back, all the old motorcycles for that also we brought in a configurator where the consumer can actually build the motorcycle accessories even in his motorcycle. And to order that that is also enabled and that is also working. At our service area also, we are opening. Spare parts, we are looking at more than in a revenue stream, which is very good incidentally, we look at it from a consumer satisfaction angle, Pramod, because we always look at even the last washer, it should be available at any point of time at any place when it is required. There should be no consumer who says that the part is not available. As a result, I'm not enjoying the Royal Enfield motorcycle. That's where we wanted to drive the business, and it is doing very well. So, to give you about 25% growth overall and its continuing to grow.

Pramod Kumar:

And last one for Siddharth. Siddharth, your thoughts on the Classic and above category, because we've seen the category expand back 250cc and above. But the fact remains Hunter has single



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handedly pulled this category back from the slump right over the last few years. So, what are your thoughts on, by when do you expect the Classic and above category, the ₹2 lakh above price point kind of a segment to kind of come back? Because that is something which is still not anywhere close to the previous peak, right? And it's been like almost five years plus now. So, your thoughts on what do you think is that play here? Is it just pure affordability or is there anything else? If you can just share your thoughts here, Siddharth. That would be my last question. Thank you.

Siddhartha Lal:

Pramod, thank you. The way we look at it is multifold. One is at one level, when you look at it at one, if you remember many years ago, we used to say, look there's overdependence on Classic. So, we had two-thirds of our sales on Classic. So now that overdependence is not there anymore. We've got a range of products or services from different segments in the market and doing different jobs. So, I don't think we'll ever get to a position where Classic will be two-thirds of our sales again. Having said that, we certainly see headroom for Classic and others in that segment, like we said, to grow further. We've seen that already. And we have lots of exciting plans. So, we have full teams that are working on ideas on renewals, on thought process. I mean, the product is there. It's great. It does a fantastic job. And now we're looking at more branded growth. To continue to increase rekindle the love, the desire for Bullet, for Classic, for that segment of bikes. And so yeah, there's a lot of interesting things we're doing to get that back in vogue, let's say, and to bring it really up in people's eyes again. As the real benchmark or flagship in a sense, I'm not talking about a price flagship. I'm talking about a thought flagship for Royal Enfield. So, we still think of Classic as that, and we're continuing to put a lot of love and energy behind it, and we're seeing some results in the market already. So yes, interesting days ahead for sure.

Pramod Kumar:

Thanks, and good luck.

Basudeb Banerjee:

Thanks. Next question we have questions from Kapil Singh.

Kapil Singh:

Hi, good evening. Thanks for the opportunity. I just wanted to understand the demand environment. How are things shaping up right now? And also with the competitive launches, have you seen any impact on the bookings so far? Or has it not really had any impact?

B. Govindarajan:

As far as the domestic market is concerned, Kapil, two months ago, was not so good. Now it is slightly better. That's how it's going on. Between June to July, obviously, it is seasonal. So, there will be some numbers, which will be here and there. Our retails have been very good. Our booking has been very good. In fact, I just went around all the regions to understand from the team, from the dealers and all. The festive season seems to be very bullish. Everybody is looking at quite a good number in those areas. So, I think the discrete spending is coming back. Money availability is better. Finance penetration is getting better. So, to that extent, I see the market will be growing in time to come.

International market, just to give you a flavor, we can't isolate ourselves from the macroeconomic conditions. In Europe, there is a bit of a pressure point. But what we are focusing on is to clear off the retail more and more and work with the community. And in markets like APAC and RENA, where the market is not growing, our market share has been growing. Once again, we are also looking at retail. But we have a skew of new products, which are going to come that Siddhartha was mentioning one after the other. And that's going to actually kindle the love once again and more sales volumes for us, too.

Kapil Singh:

Got it. And secondly, can you also talk about the cost outlook and how much price increase we have taken in the second quarter?

Vidhya Srinivasan:

Yes. So, I think we don't necessarily talk about our cost outlook per se. But I think in the first quarter, we have taken about a 1.5% price increase in certain models, the impact of which will flow into the second quarter.

Kapil Singh:

Okay. This is for both domestic and international markets?



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- Vidhya Srinivasan:** No, we are talking only domestically. International, yes, in certain markets, we have taken, but that's just a market-specific model-specific action.
- B. Govindarajan:** That's not a painted brush type. So, it is only a few products, a few markets, which we have depending upon the cost. You're asking about the cost outlook? If you're looking at the commodity cycles and all those things, Kapil, I think that's not a headwind as of now, but we have to wait and watch during the festive season how the consumption is going to be, and how China is going to play. So, to that extent, I don't see it to be a major problem at this stage. But when it comes, then we'll react to it accordingly. But our value engineering pipeline is very strong.
- Kapil Singh:** Sure. No sir, what I was trying to get at is, if there is a tailwind that is still left, like we got this quarter? Or that was where the question was coming from?
- Vidhya Srinivasan:** No, no, I figured as much, but we don't necessarily comment. Thank you.
- Kapil Singh:** Sure. Thank you.
- Basudeb Banerjee:** Thanks, Kapil. Next, we have a question from Hitesh Goel.
- Hitesh Goel:** Thanks for taking my question. Sir basically, you've taken this price increase again in May, right? And you said costs are muted. And last quarter also, we had discussed that we have taken a price increase to pass on the cost, but we have seen some benefits coming through on margins on that. So, can you talk about this price increase? Is it opportunistic? Or is it just a pass-through?
- B. Govindarajan:** Pricing is not to be looked at as an opportunistic or pass-through. What we normally look at is, see there is a business model, then there is a value proposition for the consumer in relative terms, that's how the consumer looks at, and what's an EMI. So, because now the finance penetration is actually going up. So, we have to look at it. If there is a commodity pressure, which comes in, obviously, we have to look at it, how do we do that when everybody does it, because the relative price of everything goes up there. So that we will look at it as an opportunity, as you are mentioning. But we have a cadence of actually going through the cost and what is happening, what's in the market? How is it relatively positioned? Is that what our motorcycles are, how the consumers see the value proposition for us? So that's a constant exercise we keep doing. Accordingly, we calibrate the pricing.
- Hitesh Goel:** Yeah, so it is basically that one of my questions is, it's a cost-plus pass-through, right? It's not like because the penetration there is an issue in terms of affordability, right? We've seen that in the last three, four years. So now why industry is taking price increases when there is no need to because we're not seeing costs going up. That was my question.
- B. Govindarajan:** Yeah, it is like this. It is not that always your product is priced at a particular level, and there is a cost pressure which comes up and you have to do cost plus, and then maintain the margin. Somewhere what we have to look at is for that particular price position, which we have given it in, and the consumer sees a value. If it further goes up, will it actually have a negative impact on the product and the volume, because that's what is the rebalance, which we also said. We said we are growth focused now. And to that extent, we won't be looking at profitability. So, the cost plus is always towards the profitability. But we will look at how we grow the market and look at it in an absolute pool, and that's what is directionally, we are working on, Hitesh.
- Hitesh Goel:** Okay. And when can we expect the next motorcycle like Bullet 350 and all, because the media reports that it is supposed to be in August end or something. So, can you give some sense on the near-term launches? At least the timeline?
- B. Govindarajan:** Here and now Bullet we have sent you, the media invite and block the dates and all, so that launch is now planned. My mind is fully on that, how we celebrate and enjoy the Bullet's legacy and what it has brought us here. But as Siddharth was mentioning, we have a slew of new products in all the categories, which we are working on. We will come with more and more new products, and we'll give you the details when we are coming closer to the launches, Hitesh.



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Hitesh Goel: Thank you very much. All the best.

Basudeb Banerjee: Thanks. Next, we have a question from Gunjan.

Gunjan Prithyani: Hi, thanks team for the opportunity. I had two questions. Firstly, on exports, you guys talked about the macro weakness that's impacted the volumes. Two-part question essentially, how we should then think of the full-year FY24 outlook for exports. And beyond the near-term also, if I have to think about exports, I mean where does the growth come from? Is it market share? Is it category expansion? How should I think about it?

B. Govindarajan: Market share, it's a derivative Gunjan to be honest, because we normally don't look at only the market share. But in a market which is already existing, and our brand is getting accepted more and more, I can't give you a direct answer of where exactly the numbers of international markets will be. But I will tell you where the brand love is. I think I mentioned to you also that we were looking at a rider community in Europe. It's almost about some 17,000, 18,000 people signed up for it. So that's the product love, which is coming up and the brand love coming in. And we have, mind you, we have only about 1,000 retail outlets as of now outside India and there is a huge potential, which is there for us to grow. But we are not doing just like that, because we have to take the macro conditions of the particular market now. We have to be careful about not loading the dealers. So, we wanted to do it in a systematic form, so that the ecosystem is also profitable. So, we are slowly opening up, and there are enough prospects which are cleared up for all the markets. So, the reach is going to be one major lever for the international markets in time to come. And all the new products which are going to come one after the other, because Royal Enfield nowadays are making only the global products. It is not country-specific like earlier times. All those products also will create their own category in that market.

Gunjan Prithyani: Okay. Got it. And the second one is on Hunter. Great scale up that we've seen in the last one year. And I mean, I remember maybe the last conference call or prior when you had mentioned that there's a lot more opportunity for Hunter to still scale up, given that the volumes are now at 16k-17k units a month. Do you still see there are some gaps where this model can scale up from the current run rate to say, 20k-25k. I mean I'm not trying to get a number, but directionally trying to understand the potential of this model from where it is right now? Or you think it's matured?

B. Govindarajan: Look, I think for a product, one can't send it has come to the maturity level, Gunjan. Obviously, I'm not going to give you the number exactly as you said. But I'll tell you directionally. Hunter, what is this product, once again, to give a clarity to everyone is that people love the Royal Enfield brand. They wanted a product which is a bit more different and agile, and it should be nimble, and he can relate to the product. And compared to the other products it can be slightly at a lower weight. That's where we thought that we should bring it to the younger audience. And what we wanted from that product exactly is what it landed into the hands of consumers. And that's why I mentioned when the metros started taking young guys, now the rural areas are also now started taking on the Hunter. International market, not that the Hunter is available in all the markets, even in a few markets, we are just opening up. So, the Hunter as a franchise overall is growing for Royal Enfield. We see there's a huge potential for the Hunter in time to come.

Gunjan Prithyani: Okay. I'll join the queue. Thank you.

Basudeb Banerjee: Next, we can take questions from Arvind Sharma.

Arvind Sharma: Hi, good evening and thank you for taking my question. This is on the Bullet as and when it comes on the new J platform. So essentially, your UCE platform would not have any model. So, does that make you more efficient in terms of higher usage of the J platform? Are there any cost efficiencies associated with it? And the second would be on the new model launches. I know you're not sharing details, but could we expect a new model? Or is it a new platform that you're launching probably in fiscal year 2024? Those two questions. Thank you so much.



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B. Govindarajan:

So, Bullet, it is on the super refined single cylinder J platform. So that's the last transition, which we have to do from the UCE platform, which we have been using for almost a decade now in all our products. So that's what is the launch which we are talking about. J platform, now it is there in all our products in the 350cc. To this addition, the scale benefit, which will actually be there, will also be there for the Bullet, so we will look at it exactly. And what is the second question? The second question was about new launches. After the Bullet, we have, as I mentioned, there are a lot of new products, CTGs, variants, all those things which are lined up. We always look at what kind of an experience we wanted to give to the consumer. For example, Scram, which we brought in from a particular platform. So, because we felt that on the same platform, we can come out with one more motorcycle like that in the new platforms, new products which we are doing. We'll always be looking at it in a platform basis, and we'll give the adjacencies, which can be given as an experience to the consumer, we will continue to work on. But you will see a lot of new products which will come from Royal Enfield stable.

Arvind Sharma:

Thank you sir.

Siddhartha Lal:

And just to add on the platform's bit that, of course, eventually, when we discontinue one platform, it does lead to a lot of, I mean, of course, scale leads to direct benefits in terms of unit cost reduction and all of that. I'm not sure how much more in terms of moving from UCE to J, because we already have a matured J volume. So of course, we will add to it. So, there may be some gains there. But I think the bigger gain is in the fact that one: the product is very different. It's much more modern, let's say, and refined and all that. But I think most importantly, reducing one platform helps a lot, right? Otherwise, the amount of effort and energy required by the company to continue to develop a platform, because no platform is standing still. We're always improving it, changing things. There are issues in the field, we are solving problems. All those things happen on a running platform. So, if you're able to reduce one platform that actually helps tremendously in indirect costs as well as efficiencies, let's put it that way.

Arvind Sharma:

Thank you so much.

Basudeb Banerjee:

Next, we have a question from Pramod Amte.

Pramod Amte:

Yeah, hi. Thanks for this opportunity. Just want to check your feedback on this competitive intensity. Are you surprised by the price aggression by international brands? Second, what are your feedback from the dealer levels, which products or what are the customers doing wait and watch? And if you have to fight back, would it be pricing, or you will look more for a market promotion?

B. Govindarajan:

Siddharth, do you want to take or do I go on.

Siddhartha Lal:

No. You carry on Govind. I'll add later.

B. Govindarajan:

So, the first is about the surprise element, which you are talking about, maybe it will be surprising to them on how exactly they will price it like this and continue to be there on that. As far as we are concerned, we don't take head on with any of the competitions. That's not what we are. Because as a company, once again, we love motorcycles, we enjoy working with the community. We start looking at what sort of an experience they want, and how can we build, because we go, work with them, and then see and ride with them, and that's how we are. All these new products which are being launched and all those things, you can't react to it then and there, because any new product, it requires almost about four years for you to bring in. Hunter, we launched it in August last year, it's almost about four years back, which we do it. So, we have our own path, which is charted, and we have a lineup of new products, which we have to come in. Because we work with the community, we understand what sort of an experience and what are all the new areas where the consumers are looking for. That's how our new products are filled in, and then we'll continue to do this. We don't directly alter anything in our strategic vision just because some competition is coming in now.

Pramod Amte:

Anything on the dealer or customer feedback in case you have any?



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- B. Govindarajan:** Anything on the customer feedback about the products which they have launched?
- Pramod Amte:** No. On the competitive, are they waiting or are they still continuing the same vigor to compete?
- B. Govindarajan:** Where is the product? Nobody has experienced the product as of now. So, unless otherwise people experience those products, and that's how people will know, right? Royal Enfield from 50,000 motorcycles to almost a million motorcycles, we built it over the years, and we know the nuances, we get what are the issues? How do we have to do that? How to ramp up? What are all the problems which can be there? Now it's all about there is a lot of hype, which is there. Once the product comes, then only people can actually give the feedback and all those things. Now there are only a few reviews.
- Basudeb Banerjee:** Thanks. Next, we have a question from Raghunandhan.
- Raghunandhan:** Thank you sir for the opportunity. Congratulations on strong results and thank you for the comprehensive investor presentation. Two questions. Firstly, the sale of above 250cc motorcycles has increased to 8% of industry versus 2%-3% 10 years ago. How would the share increase over the medium to long-term? And what would be the share if you take the top 10 cities or some of the urbanized states?
- B. Govindarajan:** So, Raghu, if in case I had to talk about the middleweight. So as we mentioned in an absolute number, let us go through it. It is from 50,000 at one point of time to almost a million motorcycles. That's the growth over the decade. From here where do we see it, our understanding is that there are enough disruptions, which are taking place. But especially ICE vehicles in the premium segment, it is going to continue to grow. In that growth, the overall volume will grow and because we have enough new products, which are coming in and our own activities which we are doing and working with the community, we'll also see our numbers going up, Raghu. That's how we look at it.
- Raghunandhan:** Got it, sir. On exports, on the five existing assembly units, what would be the capacity? And how do you see the benefits of volumes from these facilities?
- B. Govindarajan:** Benefits maybe, Vidhya can add up. I'll tell you what's happening in terms of capacities. In most of the areas in the CKD plant, Raghu, what we have talked about is only to start with the single-shift operations. So, there is potential for you to increase another one shift in all the areas. Once again, because it is easy for us to go and put money and put a big plant in that particular area and look at the market. No, we have cracked the code of doing it in a modular form, even our CKD is in a modular form. In all those countries now, from a market share from nowhere, we have come to almost 8%-9%. That's all being fed by our CKD plant now. And we have reached in the middleweight almost number 2 position in Thailand, and it is all being supplied by the CKD plants there. And similarly in Colombia and Argentina. So, in all those areas, if I have to double it for one more shift, if I have to open it, then I can double it. If I have to tell you about the exact number of all those things, maybe I have to get back to you, Raghu, on setting what will be the number in all the CKD plants one after the other.
- Raghunandhan:** Thank you sir. Wishing you all the best. And if you can just share the finance penetration in the domestic market, how has it increased over the years?
- Vidhya Srinivasan:** It's about 60% now. So, it's been growing quite well.
- Raghunandhan:** Thank you ma'am. Thank you so much.
- Basudeb Banerjee:** Thanks. Next, we have a question from Ritesh Arora.
- Ritesh Arora:** Sorry. I just wanted to check if we've launched the Super Meteor in the U.S.?
- B. Govindarajan:** Not yet, Ritesh, it's in the cards.



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Ritesh Arora: Okay. And any specific on how is the U.S. market performing for us as it's been one of the largest markets? Do you see this lowdown impacting volumes there? If you could give us some color?

B. Govindarajan: As of now Ritesh, as I mentioned, our focus is on retail, that's what we are doing in those markets. And U.K., as I mentioned, we are taking on our own the entire market activity, development activities from the distributor. Directly, we are going to do that, signing up the dealers. So that's also a transition which is taking place. In all those markets, as of now, the market is not growing. It is slightly opening up, that's where it is. But the good thing which is happening is as the retails are better. Our market share, we are marginally gaining or holding on to the market share. So, we are not losing out on anything. In my understanding, some of the markets will open up in another about five, six months' time. That's where I see it will open up. It's only once again, readings and personal understanding of this. There's no signs to say that this country will open up by this particular point of time. So, we will only be looking at consciously loading into those markets. But we have a lot of new products which are going to come and that new products are going to get us new consumer eyeballs into those. And that's how we are seeing, there is a huge growth potential which is possible for us. We have almost 1,000 retail outlets outside India. We are focusing on increasing those retail outlets in all the markets, but we will not rush ourselves. We will go systematically, because we always look at it, it has to be credible over a period of time that should be a pull brand. So, our focus will always be like that.

Ritesh Arora: Sure. Thanks. And just one more question. See, the waiting times on all your models range from one month to six months. What is the cause for that? Are we running overcapacity? Or how do you see it? Is there a shortage of parts?

B. Govindarajan: Not really, Ritesh. What happens is every product when we come out with a business case, vis-à-vis what is the market acceptance and numbers, all our products have positively surprised us in a way. So, we have put something as a capacity, and then we started looking at it. The market response has been very good. So, there is a lead time, which is required to come back and then give that extra need, which is there in the market. So that's the capital which we have to keep putting it in product-after-product. Most of our products are as of now, about three, four weeks times and barring a few products for which also we have already started the action. So that will take care of the supply situation for those products.

Ritesh Arora: Thank you.

Basudeb Banerjee: Thanks. That was the last question. So over to management for any closing remarks.

Siddhartha Lal: We just like to thank you, guys. Thank you so much for joining us late today on this call. And yeah, we've had an absolutely tremendous quarter, first quarter of the year. It gives us a good momentum into the rest of the year, both on the RE side and VECV side. So EML as a whole. So yeah, thank you very much, once again, and we look forward to catching up with you in a quarter. Bye-bye.

B. Govindarajan: Thank you very much.

Vidhya Srinivasan: Thank you.