May 19, 2025

Asst. Vice President, Listing Deptt.,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot C-1, Block G,
Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051
Scrip Code: HEROMOTOCO

The Secretary,
BSE Limited
25th Floor,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 500182

Sub: Transcript of Earnings Call for the quarter and financial year ended March 31, 2025

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 14, 2025, for the quarter and financial year ended on March 31, 2025.

This is for your information and further dissemination.

Thanking You,

For Hero MotoCorp Limited

DHIRAJ KAPOOR

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Dhiraj Kapoor
Company Secretary & Compliance Officer

Encl.: As above

"Hero MotoCorp Limited
Q4 FY '25 Earnings Conference Call"
May 14, 2025

The Management Team represented by:

Mr. Vikram Kasbekar
Acting Chief Executive Officer

Mr. Vivek Anand
Chief Financial Officer

Mr. Ashutosh Varma
Chief Business Officer – India BU

And **Umang Khurana,** Chief Risk Officer and Head - Investor Relations

Analyst:
Mr. Vivek Kumar – ICICI Securities

Moderator: Ladies and gentlemen, good day and welcome to Hero MotoCorp Q4 and FY '25 Earnings Conference Call, hosted by ICICI Securities. 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 conclude. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch-down phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vivek Kumar from ICICI Securities. Thank you. And over to you, sir.

Vivek Kumar: Thank you, Manav. Good morning, everyone. On behalf of ICICI Securities, I would like to welcome everyone on Hero MotoCorp's Q4 and FY '25 Earnings Call. I would like to thank the management of Hero MotoCorp for giving us this opportunity to host the call.

Now I would like to hand the call to Mr. Umang Khurana, Chief Risk Officer and Head, Investor Relations. Over to you, Umang. Thank you.

Umang Khurana: Thank you, Vivek. Thank you for hosting us. Hello, everyone. You may all have noticed that we have postponed our Investor Day. We believe it to be respectful and prudent. We shall come back to you on this.

On the call for us today, we have Mr. Kasbekar - our Chief Executive Officer; our CFO - Vivek Anand; India Business Head - Ashutosh Varma. We will begin with the call - Mr. Kasbekar's comment on the call. And then Vivek will have his opening comments as well, after which we will open this for questions and answers. Mr. Kasbekar, could we begin with your comments, please?

Vikram Kasbekar: Thank you, Umang. Namaskar and welcome to everyone to the Hero MotoCorp's Earning Call. We hope you all are keeping safe. We salute our armed forces for protecting the nation and keeping us all safe.

Now moving on to business. I am sure you must have seen our strong quarterly performance. We ended the full year FY '25 clocking our highest-ever top line and bottom line. I'm happy to report that we have retained our leadership as the world's largest manufacturer of motorcycles and scooters for 24 consecutive years.

Let me start with the overall economy. While there is an ongoing global turmoil due to the border situation, trade tensions, on the domestic front, the economy has started on a positive note, driven by tapering inflation, lowering interest rates and income tax cuts and expectations of a better monsoon. With regards to two-wheeler industry riding on the wave of a positive economic momentum, two-wheeler demand is shaping up nicely, boosted particularly by a strong marriage season in May and June. Overall, we expect the industry to grow in the mid- and high single digits in FY '26.

Key business highlights for Quarter 4 FY '25. In my first call, I had talked about our medium- to long-range-term strategy; and my focus will be on execution. Let me now talk a bit on some of these. On VAHAN, we have retained the number one spot during the quarter and on the full year basis. For the first 4 months in the calendar year, we have gained month-on-month market share. We have seen a strong bounce-back in the entry segment also. In the 125 motorcycles, on the back of Xtreme 125, we continued to outperform the category. We launched 2 scooters in the Quarter, Xoom 125 in the sporty segment 125cc category and Destini 125 Xtec in the commuter segment category. Both have been received very positively in the market. Our latest launches in the premium segment, Xpulse 210 and Xtreme 250R, have seen very good responses.

Global business has grown at 43%, 2x of the industry growth. Our strategy of focus in the top 10 markets is starting to work well. In the EV business, we gained market share during the quarter and exited March at 7%. The EV business is on a sustained growth curve helped by investments behind the brand, brand building, pricing interventions and launch of the VIDA V2 scooter. In 30+ towns, we have 20%+ market share. And in 60+ towns, we have 10%+ market share.

Lastly, I want to reiterate that my focus will be on implementing our strategy to win and gain market share. Over to you, Vivek.

Vivek Anand: Thank you, Vikramji. Good morning all, and thank you once again for joining the call today. I'm pleased to report strong financial performance of Hero Moto corporation for the Fourth Quarter financial year '25 and full year 2025 driven by disciplined fiscal management and focused strategic execution.

Firstly, for the quarter, the company recorded quarterly revenue of ₹9,939 crores, EBITDA of ₹1,416 crores and PAT of ₹1,081 crores. The Company reported quarterly revenue for Parts, Accessories and Merchandise (PAM) business at ₹1,553 crores, a year-on-year growth of 11%. The EBITDA margin during the quarter for ICE business stood at 16.1%, driven by mix improvement, lower material costs and LEAP savings, while we continued to invest behind brand building and new business. During the Quarter, after taking into account the investment behind EV business, approximately ₹143 crores, the overall EBITDA margin stands at 14.2%.

I'll now move to full year '25. We achieved the highest-ever revenue from operations and PAT. Revenue stood at ₹40,756 crores, up 9%; EBITDA of ₹5,868 crores, up 12%; and PAT of ₹4,610 crores, a growth of 16%.

ICE EBITDA margin, at 16.2%, improved by 90 bps, driven by mix improvements, price and cost savings. During the year, after taking into account investments behind EV business, approximately ₹630 crores, the overall EBITDA margin improved by 40 basis points to 14.4%. Our continued focus on cash management resulted in delivering strong cash from operations, strengthening our financial performance.

I'm happy to share that the Company has declared a final dividend of ₹65 per equity share. Including the interim dividend of ₹100 per share, the total dividend for '24, '25 financial year amounts to ₹165 per equity share, representing a payout of 8,250%.

We continue to maintain market leadership, with sales of 5.9 million vehicles in the financial year 2024-25. Further, we maintained our market leadership in the 100cc category in both entry and deluxe segments. And we have rapidly gained market share in the 125cc segment, driven by success of Xtreme 125R.

In global business as well, we continued our strong performance, reporting our highest-ever quarterly market share. Overall, our dispatches in Financial Year '25 grew by 43% year-on-year, almost 2x of industry. This performance was broad-based, as almost all our key markets, including Bangladesh, Colombia, Nepal and Mexico grew.

As part of our planned operational strategy, the Company implemented a temporary production halt from April 17 to 19 at its Dharuhera, Gurugram, Haridwar and Neemrana facilities to facilitate supply chain alignment and conduct scheduled maintenance and infrastructure enhancements. Production is expected to normalize during this month. It is important to clarify here that we continue to grow our retail sales during the current quarter.

Moving ahead, we'll continue to invest behind growth. We remain consistent in our commitment towards investing behind premium, scooters and EV portfolio; and to improve customer experience in stores with Hero 2.0 and Premia.

Diversifying our portfolio into adjacent categories is a key part of our strategy. I'm happy to share, this quarter, we acquired 34.1% stake in Euler Motors for an investment of ₹510 crores, which make Euler Motors an Associate Company of Hero MotoCorp. Through this, we have marked our entry into the fast-growing EV three-wheeler category. We are excited about the prospects of growing this business.

I'm also happy to inform that Ather Energy, our Associate Company, is now listed on the National Stock Exchange. The capital raise allows Ather management to accelerate their growth. We are positive about the growth prospects of two-wheeler industry. And with the continuity of demand and recovery in the broader two-wheeler market for us, both rural and urban; ramp-up of 125cc portfolio; new product launches; and strong investment behind brand -- power brands, we expect to grow ahead of the industry.

Thank you for listening to me. And on this note, let me open the floor for Q&A. Over to you, Umang. Thank you.

Moderator: We have our first question from the line of Vipul from HSBC.

Vipul: Sir, my question is from the next 5 - 10 years perspective. Now looking at the future prospect of premiumisation, Hero still has close to 80% market share in the population of entry-level motorcycles. And inherently, Hero has been a strong customer base who will upgrade in the future -- who will upgrade in future. So Xtreme 125 has been a success, but it was more of a catching up with the competition, so how do you plan to capitalize on your strong base and gain market share in the 125cc segment over next 5 to 10 years? That would be my first question.

Ashutosh Varma: Can I take that?

Vikram Kasbekar: Yes, yes, please. Ashu, please take that.

Ashutosh Varma: Hi. Vipul, thank you for the question. We've had some very strong gains in the 125cc category this year. On a full year basis, we gained close to 250 basis points in terms of market share. Xtreme as a brand if you see, only on 125R, we sold close to 300,000 units. Overall, Xtreme portfolio, since it's been there, is touching close to 0.5 million units already.

And the kind of response that we have received on the product also gives us a lot of confidence that this brand overall will become much stronger. The more recent launch of Xtreme 250R has also met with some amazing response, and we're very confident that it's on the way to become a power brand in itself. 125cc, we have been very strong dominant players in this category over the years. We are recovering very strongly, and last year is a testimony of this. We have exciting product launches that we have in this category which will make us even stronger. We are confident that we'll gain share and move towards leadership.

Vipul: Sure. So are you suggesting that we'll be looking at more product launches in 125 category in near future?

Ashutosh Varma: Yes, as per market need. We have an exciting product lineup that's planned for the future.

Vipul: Okay. My second question pertains to the vehicle quality. So again it's, sir, from, like, feedback from last 5 years post BS VI. So the feedback we got from our channel checks is that, of lately, there have been some issues with the quality. And a lot of issues have been addressed in past -- like within 2 years or 3 years of launch of the BS VI models, but still Hero is known for its quality in the entry level, so -- and second feedback we got was that, when you started like in 2017-18, you started with innovation plus margin expansion program, but eventually what we realized is that it eventually moved to only to the margin expansion, while there was some degradation in the quality which happened, so -- and that is also reflected in kind of warranty queries coming to the dealers.

So how do you plan to address -- like we are seeing that change in leadership is also happening to the Company. Is there any way we can track like a improvement in the quality and the brand value of the models?

Vikram Kasbekar: Ram, can you take that...

Ram Kuppuswamy: Sure. This is Ram here. I'm the Chief Operating Officer at Hero MotoCorp. To answer your question: Firstly, we pride ourselves at Hero at having products that work for our consumers and last with our consumers over many, many years. The quality of our products is paramount to us. And our brand is built on the strength of the incredible value and quality that we deliver to our customers over the years. We have not seen a drop-off in any of those levels.

And we pride ourselves in making sure that the products that leave our factory and go to our dealerships and go to the hands of our consumers have quality levels which are of the highest level in the industry. And we'll continue to maintain that standard. We will not allow for any drop-off on that front. And I must say that all of our products in our portfolio have seen the strong reception that they have because of the quality levels that we maintain with them.

Vikram Kasbekar: And, going forward, we are using technology for our development of our products in the R&D and addressing all quality issues at 360 degrees, whether it's the quality of customer experience, quality of manufacturing and quality of design. So all the areas we are strengthening ourselves very well.

Moderator: We have our next question from the line of Chandramouli from Goldman Sachs.

Chandramouli: My first question is just on the comment you made earlier around mid- to high single-digit growth in the industry. I just want to clarify that that's volume growth for the industry. And just as a follow-up to that, if you're able to share what Hero's expectation is for FY '25 in terms of volume. And historically, I think, you've spoken about revenue. So, I just want to understand those in a little more detail?

Ashutosh Varma: Hi Chandra, if I got the question right, you're wanting to know a little bit more on what our projection for the industry is and how is Hero thinking about these volumes.

Chandramouli: That's right. That's right.

Ashutosh Varma: Okay, thank you. Thank you for the question. Overall, this year, we expect the industry to grow in the region of around 6% to 7%, pretty much the same as last year. I mean we have a lot of tailwinds this year. We have a good monsoon prediction. We have a good marriage season after a long time. And the initial signs are already visible. We've seen some income tax relief that should put in more money in the hands of consumers. There's a lot of government spending that's happening. I mean the inflation is lower, so we expect the industry to be better that way. Of course, there are little headwinds as well in terms of what's happening in terms of OBD II and the price increase that's happening therein, but overall, we expect the industry to be in the region of around 6% to 7%.

We -- on the other hand, we're very confident of our performance. We have some launches that happened in Q4 that are yet fully to manifest in terms of volumes. And we are very confident that we'll outpace the industry growth and gain share.

Chandramouli: Got it. That's helpful. My second question is just around channel inventory. So I think in the your remarks you did mention that you did some scheduled maintenance at some of our key plants in the month of April, which caused retail growth to exceed wholesale growth, specifically for the month, by a decent quantum, so I just want to understand now, after that event, where we would be in terms of channel inventory in maybe number of weeks. Are we at 4, 5, 6 weeks? I just want to understand that also.

Ashutosh Varma: So Chandra, after this, our -- I mean we were sufficiently covered. Our channel inventory currently stands at around 4 to 5 weeks, but inventory is always forward looking. We know that, as we get up with the festive season, we will be able to step it up in accordance with what we expect out of the festive season, but we are sufficiently covered in terms of inventory currently at 4 to 5 weeks.

Moderator: We have our next question from the line of Amyn Pirani from JP Morgan.

Amyn Pirani: My first question is also on this inventory. So should we understand that 4 to 5 weeks or maybe 4 weeks is kind of a normalized level that we are looking at going forward? Some sense would be important. And secondly, you mentioned that you had done a lot of launches in 4Q. And while obviously the wholesales were corrected and retails are picking up gradually, any initial sense, if you could give, as to what is the response to maybe the Destini 125 or the premium motorcycle that you have launched and what kind of numbers you are expecting to ramp up over the next maybe few months?

Ashutosh Varma: Hi Amyn, thank you very much. Overall, from -- I mean, if you look at the performance the last month in terms of VAHAN registrations, we had crossed 5 lakhs. We are increasingly focusing on retails as the key metric for performance. A channel inventory of anywhere between four to six weeks is our -- is the normal level that we would want to operate in. I mean, depending upon the season, we might just take it up a little notch, but subsequently come back to the same levels that we want to operate on.

As I said, we've launched some products in Quarter 4, met with some amazing response. You would have seen our scooter, market share inching up by almost 140 basis points, basis the new launches that we've had. We also have launched the Xtreme and Xpulse. The order pipeline -- booking pipeline, sorry, is extremely strong.

As I said, they are yet to manifest fully. And as we move into Quarter 1 and towards the festive, we will see this taking full shape. I am confident that these will help outpace the industry in terms of growth.

Amyn Pirani: Thanks Ashutosh. Good to hear from you as well again. Second, I had a question on the numbers. We have been sharing this investment into EVs and what it does to our overall margins and thank you for sharing that. Is there a broad target as to by when we would want these EV losses to maybe turn breakeven? Is that a target or is that not something that we should be thinking about at the current stage?

Vivek Anand: Now -- thanks, Amyn. Vivek here. No, you're absolutely right. I think clearly -- yes, I think you are right. We've been transparent in terms of sharing the numbers, absolutely right. I think, this year, if I really look at our EV performance: Our volumes have grown 200%. And our EBITDA for EV business is at -95%, which I -- when I compare with our performance in 2023-24 has improved from 155% negative to 95%.

So as we really look forward, our priority is very clearly to grow volumes, to scale up the business and to really grow market share. Having said that, we will continue to improve on our profitability as we go forward. So if you're really asking me, in the near term, is there that I'm really looking for -- and as I said, I'm really looking for growing volumes, scaling up and market share.

But having said that, I continue to really drive the business with a lot more efficiency. What will really make this business profitable is our -- the scale-up which we talked about; the BOM cost reduction through localization, PLI benefit realization. These are the things which will really help me improve the profitability of the business going forward. And also what I want to really add is that, at a 25,000, 30,000 levels of volume per month, we hope that this will break even, which in our view is couple of years away.

Amyn Pirani: Okay. Thanks for that color. I will come back in the queue.

Moderator: Thank you. We have our next question from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar: Yes. Thanks a lot for the opportunity. My first question is on your guidance on outperforming the industry. The reason why I'm asking this is we had the same optimism and sentiment last year. We probably claimed to have the best launch pipeline. And the retail growth for the industry was 8% and we grew our retails by 1%. So what gives you the confidence that, this year, with slightly lower industry growth and not-as-actionable launch pipeline as last year, how do we expect to kind of outperform the industry on retail growth?

And linked to that, what would be the linkages of that on the margin aspirations as well? If you can just help us understand why we have kind of underperformed the industry last year so badly. And why are we so confident of, as in overcoming all of those and outperforming the industry? What are you seeing on the ground and what are the likely read-across for margins from that strategy?

Ashutosh Varma: Sure, Pramod. Thank you. I'll let the margin question be answered by Vivek, but allow me to come back on the first part of your question. The confidence comes from the delivery that we've had in Quarter 4. If you look at the performance that we've had in Quarter 4: In the entry category, we gained 600 basis points in terms of market share. The confidence comes from the fact that we've -- over the year, we have recovered on 125cc strongly, gained 250 basis points there. The confidence comes from the fact that the new scooters that we have launched in the market have met with some amazing response. It led to increase in market share in the later part of Quarter 4 and also retail growth.

That said, we are also working on -- as industry leaders, we know in the core category our work is to expand the category. The fact that we have 1 lakh customers reporting into our workshops every day gives us an excellent opportunity to work on upgrades and own-based marketing.

So these are fundamental strengths that we have that we'll increasingly leverage this year. And we are very confident this will help us move in terms of market share, outpacing the industry growth.

Umang Khurana: Yes. So just following that up. India business, therefore, there is -- the rural recovery is well underway. That makes the number of new launches - India business growth. You've also looked at our export growth, Pramod. That is double the industry export growth as well. Our emerging mobility business unit, our EV business has grown far ahead of this total rate as well. So when you looked at this, every month sequentially there is growth when you look at VAHAN.

That is where we are coming back from to say that there is an opportunity that we are starting to -- all the building blocks are in place. We now need to implement. And that's what Mr. Kasbekar talks about.

Vivek Anand: Yes. Thanks, Umang. Hi Pramod, Vivek here. I think -- as Ashutosh and Umang said, I think we had a great start, I'll say, to the year. I think we are gaining VAHAN share for the last 4 months in a row. I think the growth is clearly broad-based. We are seeing that in our Indian business. We are seeing it in global business. And we are seeing it in the EV portfolio, right?.

Having said that, on your second question, on margin, I must start by saying that we will continue to invest behind growth. And we have given a guidance to the market of maintaining our EBITDA margins between 14% to 16%, and directionally we will be there.

Pramod Kumar: And sir, when you talk about market share, you're talking about Y-o-Y market share trends or sequential market share trends. Because it's a seasonal industry, as we all know. So -- because when I look at VAHAN, the Y-o-Y market share, there's been a decline since January to April. Correct me if I'm wrong there, please -- unless you are referring to sequential market share. Am I right?

Ashutosh Varma: Referring to sequential, Pramod, but also I mean -- I think, May, it's translating into Y-o-Y as well.

Pramod Kumar: Okay. So out of 5 months, 4 months, it's a sequential gain; Y-o-Y, 1 month. Okay, fair enough. I look forward to that outperformance. And last question, on the leadership transition, if you can just help us understand how are we placed there as to -- because there has been reasonable attrition at the top. So just trying to understand by when do we expect to have a full-time active CEO at the company?

Vikram Kasbekar: Thanks, Pramod. I'll ask Vivek to take that.

Vivek Anand: So Pramod – so Mr. Kasbekar he is the acting CEO and he is fully on the job. So he's the one who is currently driving the business. And we'll come back to you as we have more to share.

Pramod Kumar: Thanks a lot. Thank you. Best of luck.

Moderator: Thank you. We have our next question from the line of Sonal Gupta from HSBC Asset Management. Please go ahead.

Sonal Gupta: Hi, good morning. Thanks for taking my question. First, I just wanted to get a sense on like the non-vehicle revenue part for this quarter. I mean like even adjusting for spares, like our ASP is sort of looking much higher on a sequential basis, so could you just highlight are there any other larger amount of non-vehicle revenue or other stuff which has sort of boosted the revenues for this quarter?

Vivek Anand: I think large part -- so there is a revenue per unit growth of almost 4% year-on-year. And that's largely driven by two-wheelers and parts business.

Sonal Gupta: Okay. So on a sequential basis like our ASP is up big time, so I'm just -- is that just a mix effect or are there some other drivers there?

Vivek Anand: Yes, it's largely the mix effect. Yes, you're right. So we are -- we have increased our revenue per unit both year-on-year and on quarter-on-quarter; specific to your question, on quarter-on-quarter, which has increased by 2,236. It's largely the two-wheelers contributing to two-third of it and the balance coming from spare part business.

Sonal Gupta: Okay. Just the other thing was on like we had this production issue and somewhat uncharacteristic for Hero, so I just wanted to -- I mean, could you give some more color into that? Was it some supplier-related issues and which sort of related -- led to the disruption or I mean like because we had three plants down, so I'm just trying to understand?

Ram Kuppuswamy: Sure. This is Ram here. So as you know, last month, we had a planned production halt at four of our factories in Dharuhera, Neemrana, Gurgaon and Haridwar. The primary driver was to realign the supply lines, but also we had scheduled maintenance and we made some infrastructure investments and upgrades that we wanted to. This did go on to impact, unfortunately, some of our dispatches in April, but I'm happy to share that we are at full strength in May. And there was no real retail impact, but I'll let Ashu maybe speak to the retail impact of that shutdown.

Ashutosh Varma: So, of course, Ram I said this before. Last month, in April, we clocked over 5 lakh in VAHAN registrations. In spite of, last year April being heavy in terms of marriage season and festives, there has been no retail impact whatsoever. We are sufficiently covered. And as it improves going further, we will be sufficiently covered for the festive as well.

Sonal Gupta: Got it. And just I had two more questions. I'll just put them in one line. One was on the financing side. I mean we're getting some mixed responses in terms of where the -- I mean two-wheeler financing is becoming tighter. And especially given the entry-level portfolio that we have, are we seeing any of that? And just also if you could give some more color on what is the export outlook for FY '26?

Ashutosh Varma: Yes. I just wanted to quickly come on the financing side of the business. So overall, our retail finance penetration for the Quarter 4 was in the region of 59%. For the full year, it was at 63%, but this is a seasonality that comes into retail finance pretty much in Quarter 4. We were same at the same level last year. So at a penetration level, we haven't seen an impact.

Yes, the nature of the products has changed a little bit because of certain stress that some of the financiers have seen, but I guess there is a lot of innovation that's coming in there in terms of different kinds of schemes that are available. I think, with the easing of interest rates, we expect low EMIs to become a larger part of the overall basket of products, but again as I said, seasonality, fundamentally nothing that we should be too worry about.

Vivek Anand: And just to add to what Ashutosh said. I think our finance penetration currently is around 65%, almost in line with last year. So we've not seen much of a shift there, just to add.

Vikram Kasbekar: On the global business, our strategy of making products specific to countries in LATAM, Bangladesh, Nigeria is yielding very good results, which is evident from the last year's performance. And going forward, we are quite aggressive on the growth in the GB segment.

Vivek Anand: Yes. And to add and to supplement: I think, this year we had a fantastic performance of growing 2x of industry. I think clearly our 80-20 strategy is working well. Our top 10 markets continue to grow well. We have re-entry in Nepal, entry in Sri Lanka and Philippines. That's really going to contribute to our growth as we get into 2025-26. So we are really confident about growing our global business and continuing to gain market share in 2025-26.

Sonal Gupta: Got it. Thank you.

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

Kapil Singh: Sir, can you let me know, what is the spares revenue for the quarter?

Vivek Anand: It's ₹1,553 crores, which has grown by 11% year-on-year.

Kapil Singh: Sir, this has been growing quite well for last few years actually, so could you share some insights here? What is driving this growth? In fact, the growth has been well ahead of the volume growth that we are seeing?

Ashutosh Varma: Hi Kapil, thank you very much for that question. I mean parts business growth is something that we have looked back with pride over the years. In fact, there is a lot of fundamental work that has gone into where we are today. I mean there is a lot of work that has happened in terms of scaling up the networks, so we are much more deeply penetrated today than what we were earlier, especially in the aftermarket.

We worked also at our existing workshops but more so in the aftermarkets where we have penetrated deeply. We have expanded our portfolio, I mean, when it comes to accessories. We've added new product lines, like the tyres and the batteries. So all this adding up to the consistent performance that you are seeing today.

Vivek Anand: And also to add to what Ashutosh said. So while we are -- we had a good track record of almost hitting double-digit growth. And that's what certainly we are looking at as we look into the current year. While we look to really grow this business, we continue to grow this business profitably is what I wanted to add.

Kapil Singh: Okay. And second, I wanted to check on VIDA. Where are we in the PLI approval cycle?

Vivek Anand: So for VIDA Pro, we have just filed our PLI application. I think we expect the approval to come in by July. And I think, other products, we are in the process of filing the application.

Kapil Singh: Okay, great. Sir, also one question I had on Euler Motors. We have taken a 34% stake there, so could you share some thoughts here that -- why not a majority stake if you are looking at this as a new segment that you want to enter?

Vivek Anand: Yes. So I think you're right. So we've acquired 34.1% stake in Euler. And I think, first of all, what I really want to say is that three-wheeler presents an attractive alternate adjacent category for us to really diversify, which is part of our strategy. And I think we've talked about it in the past.

I think as a category it offers us large value pool. It's a segment -- in terms of size, revenue size, it's ₹17,000 crores in last financial year; 6.4 lakh units. And this is projected to grow to ₹22,000 crores in the next 5 years. Also it provides an attractive profit pool of ₹2,300 crores. And this category has a EBITDA margin of 20%+, yes. We are seeing rapid electrification in the three-wheeler category and we believe this is the right time for us to really enter. I think this category is driven by favourable government policies, TCO benefit versus diesel of almost 40% - 50%. And current electrification at 22%, offers headroom for all of us to really grow our share in the respective category.

So at this point, I think, if you really look at our investments in the past supporting the enterprise in the long term has really created value for us, like we've done, say, in the past. And we strongly believe that this model which has worked in the past will continue to do well for us going forward in case of Euler.

Kapil Singh: Sure, sir. Thank you.

Moderator: Thank you. We have our next question from the line of Gunjan from Bank of America. Please go ahead.

Gunjan: Thanks for taking my questions. I had a few clarifications. On the ASP increase quarter-on-quarter, which you covered earlier, is there an element of OBD price hike that's captured there? And if you can sort of just quantify that?

Vivek Anand: OBD price increase, yes. We've taken almost 2%, which is almost the case in the industry.

Umang Khurana: Gunjan, this is a similar price hike across the industry.

Ashish Misra: Yes, but if your question is how much of that is baked into the Q4 numbers: The Q4 numbers have very little of it because this was phased out over the months and model on model. So very little impact in the Q4 ASP increase.

Gunjan: Okay, got it. So the large part of ASP is essentially mix. Because when I look at the entry-executive etcetera mix, that's not changed materially. So is it within the models that the -- what we are selling is probably higher variants or higher price points within that. Is that the way I should be thinking about ASP? Because it's actually seen quite meaningful increase over the last couple of quarters. I don't think it's just quarter 4, but right from Q1 to now, there has been quite a step-up in the ASPs?

Vivek Anand: Yes. So you're right, Gunjan. I think, compared to last year, our ASPs have grown by 4%. And as I explained earlier, large part of it is coming from mix improvement within the segments, product segments; and a part of it from price. So two-third coming from mix and one-third coming from pricing. By and large, I think that's what you can really take. And as we clarified, OBD-II price increase is something which is effective April. You will see the impact of that in quarter 1.

Gunjan: Okay, got it. And the other clarification that I was looking for was this difference between the subs and associate profitability, which is quite decent in this quarter, I think, roughly around ₹80 crores or so. Can you just share some color on what -- this has been in losses for last couple of quarters, so what's really contributing? Is there a one-off here or any turnaround in the associates that's captured there?

Vivek Anand: Gunjan, you will have to re-clarify the question. Just be more specific on for the quarter or for the full year. What is the question?

Gunjan: It is for the quarter, if I look at the subs contribution which is, I think, captured as profit from associates in the consolidated P&L. That's actually a positive number, a reasonably positive number, I think, ₹70 crores or so, which has been in losses for last couple of quarters. So just trying to understand what's really changed there. Or is there some mark to market or something there?

Vivek Anand: Yes. So you're right. So let me just explain that. So you're right. So we -- yes. The number has always been a lower number. This time, we had a onetime gain of CCPS conversion to equity, right, in case of April. And that has translated into a onetime gain of ₹170 crores. So that's the one which has really inflated the profitability in our consolidated results for the quarter and for the full year.

Gunjan: Okay, got it. That's clear. And last question, on the...

Moderator: Sorry to interrupt, ma'am. May I please request you -- your 2 questions are up.

Gunjan: Okay, all right.

Moderator: We have our next question from the line of Amit Hiranandani from Phillip Capital.

Amit Hiranandani: See this margin improvement journey in coming 2 to 3 years. And do you see any risk due to rising EV and export mix?

Vivek Anand: So I don't see a risk. I think this is a very conscious investment the company has decided to really make, right, in the next, I'll say, couple of years, near to middle term, right, so I don't see a risk to that. I think what is important for us to really -- is to really scale up the business, scale up the business fast, grow it profitably, right, so we will continue to grow our business and reinvest in EV. I think that's the strategy. And therefore, our margins will continue to be in the range of 14% to 16%.

Amit Hiranandani: Right. And your outlook for these urban, rural separately for this fiscal, please.

Ashutosh Varma: So I mean what we expect this year is, of course, in the earlier answer that I had given, the prediction of a better monsoon, a good marriage season, increased government spending in the rural areas, lower inflation. All that, we expect, will work in Favor of rural. I mean our rural contribution is in the high 50s.

We expect that to be as strong, in fact expect good rural growth coming in this year overall. Also, I just wanted to add here that, I mean, we are very confident since we have a product line-up that's strong in some of our base categories. As the segment grows bigger, we'll be able to outpace in terms of the industry growth as well.

Amit Hiranandani: And if I can ask the net worth of Hero FinCorp, please, as on 31st March, please. That's it.

Umang Khurana: We'll take that offline, Amit.

Vivek Anand: Yes. We'll share with you separately that number.

Moderator: We have our next question from the line of RaghuNandhan from Nuvama Research.

RaghuNandhan: Firstly, on the 100cc motorcycles, the industry volume and Hero volume have seen some decline in last 2 quarters. How do you see the volume expectations for this segment going forward? What are the drivers?

Ashutosh Varma: I mean, for the 100cc and the entry category, of course, there was for the last few years stress at the bottom of the pyramid, which is why this segment had probably seen a little more stress than some of the other segments. Quarter 4, I mean, we had seen an impact across categories, not only in these. I mean, if you look at the delta shift from how these segments were growing versus how Quarter 4 behaved, you saw a blip across categories, so we really can't single out the 100cc category just by itself. That said, I mean, we are a very dominant player in this category. In the 100cc, we operate with almost a 90% market share. Year-on-year, we've had a 600 basis points increase in terms of entry market share.

So here our job is to expand the category, and this is where we'll -- we are going to be indexed upon. I mentioned in my earlier comment that we have the largest base of customers. We have almost 4 crore customers visiting our workshops every year, so there is a lot of own-base work that has -- that can possibly happen here in terms of upgrades.

There is a lot of finance-related actions that we continue to do. And there are innovations and especially in terms of digital finance that we are trying to bring about which will make affordability and inclusion much easier. So we are confident that this segment, on the back of rural coming back much stronger this year, will do well and help in overall growing of the 100cc industry, led by us, of course.

RaghuNandhan: Secondly, in terms of the new products, if you can talk a bit more about the -- on the EV side, products like Vida Z. When can we expect these products? And any other launches you want to highlight for FY '26?

Vikram Kasbekar: Okay. Our existing product has been received very well. And you can see the volumes are anywhere going from 7,000 to 8,000 on a monthly basis. Very shortly, we are launching an upgrade which will be far better in terms of the value proposition to the customer. And it will come with a launch in July. And of course, that will be addressing the basic customer requirements across the segment.

Vivek Anand: So just to add on the new launches. I think there is -- clearly, as we talked about, I think, we had a great exit to the year. We exited with a market share of 6%+. I think, the launches we had in the second half of last year, they continue to do well. In addition to that, we are planning 2 new affordable products in first half, most likely in July. And that will continue to really strengthen our product portfolio, which will help us really drive our growth, accelerate our growth and help us gain market share.

RaghuNandhan: So both the affordable products will be in the EV side, right?

Vivek Anand: That's right. We are talking of EV business, yes. That's right.

RaghuNandhan: Lastly, how do you see the collaborations, synergies playing out with your partners, in terms of be it Ather, Zero Motorcycles or Euler? How do you see that joint efforts happening? And how can it benefit the company over the near term, medium term, if you can talk about it?

Vivek Anand: No, I think, very clearly -- on the Ather side, I think clearly it's a long-term investment we've made. I think we really like the enterprise and we really continue to stay invested in that. Euler, we just -- it's just a start of the relationship. I briefly talked about it's a very exciting category. It's a very exciting business. I will say we have a very experienced team in Euler, right, which is a very good mix of young professionals and experience from industry, right. We have a very differentiated product, right, to offer in the marketplace, so we are really excited working with the new team as we really go forward.

Vikram Kasbekar: And we have the synergy with Ather on the charging infrastructure. We are sharing the same. Added to that, on Zero front is the technology at the higher voltage which is what we are absorbing, which will have a very good future as the time passes. Yes.

Moderator: We have our next question from the line of Mihir Vora from Equirus.

Mihir Vora: So sir, my question was on HF Deluxe, basically if we see the FY '19 volumes and compare it with FY '25. Sir, HF Deluxe has seen a major drop here, while your Splendor has been something which is sort of a flattish, or either it has grown. So what is it that the HF Deluxe demand has been so impacted? Are the customers moving to Splendor? Can you throw some color on it?

Ashutosh Varma: Thank you for the question. In fact, what you witnessed from FY '19 to FY '25, in the middle of that, was a huge disruption that happened in the industry. There was COVID, which impacted disposable incomes to a great extent; and also BS-VI transition that happened, which increased bike prices substantially across categories and across all industry players.

What we saw was a lot of customers at the bottom of the pyramid coming under a large affordability stress. Used two-wheelers, for example, which used to be 1:1 of new two-wheeler sales, post COVID, immediately post COVID, actually rose to close to 1.5:1. I mean there were a substantial number of people who held onto their bikes longer. Our workshop data suggested that people owning HF Deluxe were not replacing as frequently as they were earlier, so we had vehicles in our workshop 5 years and above increase significantly. So we knew all the while that it was just a matter of time before it will come back, so we've invested aggressively in terms of augmenting the value proposition of the product, bringing in new exciting additions in this category.

We have already seen it started to work for us from the late -- from last quarter of the financial year. We -- last quarter of the financial year, we also saw the replacement demand coming back significantly from almost 6% to 11%, in quarter 4 sequentially, so we are very confident that, as we bring more excitement into this category, we will see a lot of customers who have dropped out from the mobility space coming back and opting for this. And our quarter 4 performance is an indication of that.

Mihir Vora: So second, on this, sir, replacement number which you quoted that -- being around 11% of the total. Is it of the total volumes? Or how do you see it?

Ashutosh Varma: Yes, total volumes

Mihir Vora: Okay. And going ahead, with the FY 2018-19 base being so high, do we expect this to go up? And to what levels does normally the replacement demand peak at?

Ashutosh Varma: So we've seen replacement demand to be in the vicinity of around 18% to 20% generally. We expect that it will gradually bounce back to that level. And of course, it will also depend in terms of the innovation that people are able to bring about, overall across the industry, in the categories for people to be tempted enough to upgrade.

Mihir Vora: All right, okay, sir. And are we seeing some kind of some customer moving from the HF Deluxe to a scooter segment? Or some kind of data which we work on. Do we see that shift towards scooters there?

Ashutosh Varma: The category drivers for both of these segments are very different. So I mean scooters are largely into a different space altogether. This is -- I mean the average running is much higher, so I would not want to draw that conclusion.

Moderator: We have our next question from the line of Pramod Amthe from InCred Equities.

Pramod Amthe: So in the recent context of your supply chain realignment shutdown which you've taken, I wanted to understand. How do you see new plants' capacity versus the old plants? Because you have plants since inception, almost like 20+ years on. Is there a scope to shift the production and bring those operational efficiency; and think through beyond having that 14%-16% margin?

Ram Kuppuswamy: So okay. I think there were 2 parts to that question. I'll address each one. To start with, the -- as we mentioned, we did temporarily halt production in 4 factories for 3 days. We, as I said, are back at full strength in this month. And we don't see any issues going forward. With respect to the second half of your question, which is more around the new factories that we have, we are ramping them up quickly.

Our factory -- the last factory that we started, which is in Tirupati district, which is where we produce our EVs today, is ramping up and ramping up very well. And we've already also announced that we will invest significantly in that side to bring up a second Global Parts Center. That campus will be one of the larger campuses that we have in our network in the future.

Pramod Amthe: But is there a broader thinking in terms of realigning your capacities so that you can get the best of the latest production technologies, for your profitability?

Ram Kuppuswamy: We do that on a continuous basis. I can assure you that we are constantly looking at the mix, the different models that we produce across the different sites that we have. One of our largest strengths is the manufacturing capacity that we have and the supplier ecosystem that supports it flexibly. We will look at this on a continuous basis.

Vikram Kasbekar: And just to reinforce what Ram said. Even our older plants have the latest of the technologies. And we continue to improve upon the manufacturing technology.

Pramod Amthe: Sure. And the second one is the investment into some of the new ventures. You have been right in catching up the wave and nurturing some of the best entities within those, either if you look at Hero FinCorp or Ather to that extent. How do you look -- and you avoid the temptation to book profit in the IPOs, but how do you see the monetization? Would you look through for maturity of these industries to get out? Or would you look for the right time to make the best buck? How do you look at monetizing the same?

Vivek Anand: Pramod, these are -- as you rightly said, these are long-term investments. And we will continue to really invest and work behind these enterprise, support the management and create value in the long term. That's all I'll say at this point in time.

Umang Khurana: Thank you, everyone. To reiterate highest-ever revenue and profits for the year. We've been going -- growing market share on VAHAN sequentially every month in this calendar year already, so happy with that, as you could see from what you're hearing from us. Increasing dominance in entry. And as -- that market share has gone to 65%, up, 6% growth year-on-year. The growth in the 125cc segment, with product interventions, process improvement, is something that's been helping us go forward. What will support this growth is premium and scooters as well.

To your question on mix. As scooters and EMBU EV does better, the new launches in this category has us excited with the Xoom franchise, Xtreme, XPulse and the Premia dealerships as well. Global business has had a great year. We exited the year with 9% market share. We continue to outperform the industry. You'll be pleased 40% of our exports are actually premium products.

Closing with EV with 20% and more market share in 30 of our towns already, the focus on market share expansion, network, new products and brand building is what we are doing.

With that, thank you, everyone, for coming in. Jai Hind, please keep safe.

Moderator: Thank you, everyone. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.