www.eichermotors.com

May 20, 2025

Online intimation/submission

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001
Security Code: 505200

The Secretary
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No.C/1,
G Block, Bandra Kurla Complex, Bandra (E)
Mumbai-400 051
Symbol: EICHERMOT

Ref: Regulation 30 of the SEBI (LODR) Regulations, 2015 - Transcript of group conference call

Dear Sir/Madam,

Further to our letter dated May 08, 2025 intimating the schedule of the group conference call held on Wednesday, May 14, 2025, please find attached transcript of the aforesaid conference call, held *inter-alia* to discuss financial results for the fourth quarter and financial year ended March 31, 2025, pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company www.eichermotors.com.

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

You are requested to take the same on your records.

Thanking you,
For **Eicher Motors Limited**
Atul Sharma
2025.05.20 16:39:38
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Atul Sharma
Company Secretary

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"Eicher Motors Limited Q4 FY '25 Earnings Conference Call"

May 14, 2025

MANAGEMENT:	**MR. VINOD AGGARWAL – VICE CHAIRMAN, EICHER MOTORS LIMITED & MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF VECV** **MR. B. GOVINDARAJAN – MANAGING DIRECTOR, EICHER MOTORS LIMITED & CHIEF EXECUTIVE OFFICER OF ROYAL ENFIELD** **MS. VIDHYA SRINIVASAN – CHIEF FINANCIAL OFFICER, EICHER MOTORS LIMITED**
MODERATOR:	**MR. RAM SESHAN – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day and welcome to Eicher Motors Limited Q4 FY '25 Earnings Conference Call hosted by Avendus Spark.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*,' then '0' on your touch tone phone. Please note that this conference is being recorded.

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

Ram Seshan: Thank you. Good evening, everybody. Welcome to the Earnings Call. Pleased to be joined today by the leadership team of Eicher.

We have with us Mr. Vinod Aggarwal - Vice Chairman, Eicher Motors and MD & CEO of VECV; Mr. B. Govindarajan - MD, Eicher Motors and CEO of Royal Enfield and Ms. Vidhya Srinivasan – CFO of Eicher Motors.

I would now request the management to make their opening remarks. Please go ahead, sir.

B. Govindarajan: Thank you, Ram. Hello, everyone. Hope all of you guys are doing well. Thank you for joining Eicher Motors Limited Earnings Call for the quarter and Financial Year ended March 31st, 2025.

It has been a very strong year at Eicher Motors. We have seen consistent growth, quarter after quarter and both Royal Enfield and VECV have delivered solid performances. We have stayed focused on building long-term value and these results reflect that.

Starting with numbers for the 4th Quarter:

Eicher posted a record performance with consolidated revenue of Rs. 5,241 crores INR and EBITDA of Rs. 1,258 crores and profit after tax stood at Rs. 1,362 crores. Not just the past quarter, our growth momentum continued to show great results in the Financial Year ended March 31st as well with revenue growing to Rs. 18,870 crores with an EBITDA of Rs. 4,712 crores. PAT for the year stood at Rs. 4,734 crores. The strong performance was the result of an all-round growth at both Royal Enfield and VECV.

Now, let me start with Royal Enfield first:

We had one of our best years ever and maintained our leadership in the premium motorcycle segment with the motorcycle sales crossing 1 million plus units for the first time in our history. We introduced 6 new motorcycles in the past year, which strengthened our product portfolio to meet the diverse needs of our customers' right here in India and across the globe. We launched the Bear 650, which is a bold new expression of our new twin cylinder lineup.

The Guerrilla 450, powered by our Sherpa engine, is a whole new take on urban agility, mobility and adventure. We also celebrated the year of Classic with the 3 motorcycles that really showcased our design and craftsmanship, Classic 650, which we launched recently and Goan Classic 350 and of course, the Classic 350 itself.

Our motorcycles continue to do well in the past quarter and in the financial year with the sales of about 2,80,801 motorcycles in the 4th Quarter up by almost about 23.2% year-on-year. And in the past financial year, we sold about 1 million plus motorcycles. It is almost 1,002,893 motorcycles to be precise marking a 10% increase over the previous year. Our domestic sales stood at 9,02,757 units, which is up by about 8% on a year-on-year basis.

Our international volume stood at about 30,900 units for the 4th Quarter and in the year-on-year, it grew by almost about 29.7%, touching 1,00,136 units. This year was very meaningful progress which we made on many other fronts also. We made our big move into our electric with the Flying Flea in-house brand of Royal Enfield. We began with the showcase of Flying Flea at EICMA, followed by the unveiling of the two models FF C6 and FF S6, which has received very strong interest from customers all over the globe. We are on track to officially launch this.

Our motorcycles continued to win a lot of recognition during the year. We received about a dozen plus awards for the design, innovation and performance of motorcycles this year. Most importantly, I wanted to share with you the J.D. Power has ranked us as the highest in the overall Two-Wheeler Initial Quality Study and is a direct reflection of our focus on customer satisfaction.

Beyond our motorcycle, the Royal Enfield ecosystem also has grown stronger than ever. We inaugurated a new spare parts warehouse in Mumbai in the past year. We now have 4 regional warehouses, including in Chandigarh, Mumbai and Calcutta. In addition to the business achievements, we also worked hard to bring riders together in the Motoverse. Normally, we have it in the month of November. This year, we saw a gathering of 10,000 plus customers riding into Goa to participate in the Motoverse and art of motorcycling saw a very successful season 4 with an increased participation during this time.

Globally, our expansion strategy gained significant momentum this year. We inaugurated our first fully owned CKD assembly plant outside India and Thailand. We also began operations of a manufacturing facility and flagship showroom in Bangladesh enhancing our ability to meet local demand while maintaining our quality standards. Today, Royal Enfield ranks among the top mid segment motorcycle brands in the market such as UK, Korea, Australia, New Zealand and all the markets wherever we are entering, our market share is steadily going up. As we said earlier also, we are looking at all these things for a long-term ambition. Equally important, less is our commitment to social and environmental responsibility.

Sustainability remains at the heart of what we do. Our motorcycles are designed for more than 97% recyclability and reusability. Our plants now consume about 86% of electricity from renewable sources, and our net water is positive to the tune of 2.6x. We are also committed to send no waste to the landfills from our operations. We launched several green initiatives in Himachal Pradesh, Spiti in Kullu district. This includes Camp Kharu, our first Green Pit Stop along the Leh-Manali Highway. We also launched journeying across the Himalayas as a first of its kind 10-day festival in Delhi that celebrated the region's natural beauty and culture.

Now, moving on to VECV, our performance has continued to beat the industry trends. Now, I will request Mr. Vinod Aggarwal to talk about the commercial vehicles performance. Over to you, Vinod.

Vinod Aggarwal: Thank you, Govind. The Financial Year '25 has been a record year for us as we delivered more than 90,000 trucks and buses and crossed Rs. 23,500 crores in topline. I will begin with the financial performance for the 4th Quarter and the Financial Year ’24-25. We had a robust sales performance of 28,675 units in Quarter 4 of FY25 and 90,161 units in Financial Year ’25, our best ever performance. VECV revenues rose to Rs. 7,139 crores in Quarter 4, up 13.8% from Rs. 6,275 crores in Quarter 4 of Financial Year ’24.

For Financial Year '25, VECV revenue from operations was Rs. 23,548 crores, which is up 7.7% from the previous year. EBITDA stood at Rs. 732 crores for the quarter and Rs. 2,030 crores for the full year up 18.4% from Rs. 1,715 crores in the previous financial year. The EBITDA margin for the quarter was at 10.5% and at 8.8% for the Financial Year ‘25. And as you can see, the EBITDA margin has significantly improved from 7.8% last year Quarter 4 to 10.5% in this current Quarter 4. Profit after tax for the quarter was Rs. 457 crores and Rs. 1,284 crores in Financial Year ‘25 up 56.8%.

Now, we had record performance on many parameters, such as the highest sales units with the growth of 5.4% against the market, which was flat at just around 0.3% growth. We became #1 in Light & Medium Duty trucks market share. We have now 36% market share in Light & Medium Duty trucks, which is 5-18 tons, and we are #1 in the market now. And we had record sales of Heavy-Duty Trucks, Buses and Spare Parts, Engineering Components and Power

Solutions which include gensets as well as industrial engines. We entered the small commercial vehicle segment with the electric first Eicher Pro X which is 3-3.5 ton gross vehicle weight. And we had highest ever Quarter 4 sales for Eicher Heavy Duty Trucks at 6765 units with the market share of 9.1% in Eicher site and including Volvo, the market share is. 9.7% for the Full Year.

In the Light & Medium Duty Truck segment, we sold 11,591 units in the quarter, achieving our highest ever market share of 37.1% in the market in Light & Medium Duty in Quarter 4 and we sold 7568 units in the Buses segment making it our highest ever sales in the quarter and we received 5 Apollo CV award including prestigious Transport Solutions Provider of the year.

As the Indian economy grows and the logistics industry transforms, VECV continues to drive modernization and remain at the forefront. During the past year, we have launched 92 new production variants. These include Eicher LMD powered HD Trucks for long haul application. We also delivered over 50 Volvo FM Tractors for Road train applications. We continue to develop electric and alternate fuel waste solutions on our existing product mix during Financial Year ‘25. We successfully launched the Eicher Pro X Small Truck specifically designed for 2-3.5 tons segment. Deliveries started with the electric first, reflecting our commitment to deliver sustainable solutions to the last mile and delivery operations.

On the sustainability front, the Financial Year ’25, we made significant progress by addressing various elements. Driving inclusivity in the CV industry, the Eicher Pro X is assembled on an All-Woman line at our state-of-the-art industry 4.0 compliant factory in Bhopal. And this is the first time that we see the All-Woman assembling the trucks on the assembly line in a truck plant. Our renewable energy capacity with a 4.5 MW rooftop solar project is expected to reduce emissions by 25%. We also recycled 52 million liters of water at our Bhopal plant through an artificial water reservoir that also supports local birds and fish. Furthermore, our carbon offsetting efforts continued with the planting of 66,000 trees anticipated to offset 660 tons of CO_2 emissions.

Now, I will hand over back to Govind for further updates.

B. Govindarajan: Thank you, Vinod. Before we move on, I would like to briefly touch on some key changes. I am sure you all would have followed in on our Board. Siddhartha was the MD & CEO of Eicher Motors, has taken over as an Executive Chairman of Eicher Motors and Vinod - MD and CEO of VECV Commercial Vehicle business is now, apart from the MD & CEO of Commercial Vehicle, he is the Vice Chairman of Eicher Motors Board, and I took a larger role as a Managing Director of Eicher Motors. And we also welcomed new Directors who bring in diverse experience from different sectors to Eicher. Their combined insights are already adding meaningful value as we plan for the future and navigate an increasingly dynamic environment. At Eicher Motors, this year has been phenomenal growth for both Royal Enfield and VECV with all the steps into the New Year which we are confident we will continue to build on success with many more exciting things ahead.

Thank you all for being with us on this call today. We can now move on to Q&A. Over to you, Ram.

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

Binay: Hi, team, thanks for the opportunity. My question is related to the margins. Could you comment on two-three things on that? First is that we have seen a raw material to sales trend up in this quarter. Secondly, in the earlier conference call, we had highlighted that Q3 had a lot of one-offs in the other expense line item. What are your take on the Q4 other expense number because it is almost flat quarter-over-quarter? And thirdly, the cost relating to OBD2B, have you passed that on fully to the consumer, what was the price hike? That is the question from my side. Thanks.

Vidhya Srinivasan: Yes, I think there are a number of questions over there. So if I can address as far as gross profit is concerned, I think if you are talking quarter versus last quarter or I am not quite sure whether you are talking --

Binay: Quarter-over-quarter.

Vidhya Srinivasan: Yes. So basically we are saying versus last quarter we are talking about the 30 bps on account of model and variant mix, which is a really higher share of some of the models, like Battalion Black where we are seeing very good traction and growth in terms of absolute sales. I think if you take back, I think the big message that we kind of talked about several quarters now, including last quarter is that our focus is on absolute growth and absolute gross profit growth, not necessarily on percentages. So I think as part of that as far as both the new Classic as well as the new Battalion Black, we have made a lot of additions to the product in terms of features etc., and we have effectively kept, while we shared the cost, we have not changed it on a percentage basis. So I think about 30 bps is accounted for in the model and variant mix. We have about a 20 bps impact of higher commodity prices in Steel and Aluminum and about 20 bps which is on account of some inventory provisions for a few old bikes. So effectively that is what is causing the impact of, I think approximately 19 bps versus Q3 of this year. As far as other expenses are concerned, which is I think your next question, I think I had not necessarily talked about any specific quantum of one-off, but let me address that as well versus Q3, we have had an increase of about Rs. 9 Cr as far as other expenses are concerned. Out of that, we have had Rs. 30 crores reduction of marketing expenses versus Q3. We have had while launch and event expenses have reduced versus Q3, we have increased investments in sustenance and the Classic volume growth is reflecting that for example, we have had a growth of 15% in the last 6 months. In addition to that, we have also had about Rs. 20 crores increase on account of volume related expenses because we have had a significant increase in volumes versus Q3 as well. So there are about Rs. 20 crores in account of that, Rs. 19 Cr is an impact of expenses that we have incurred in Europe where a few distributors are under liquidation. So this is something that is an impact that has happened, yes, that is essentially what is happening.

Binay: So largely, both are in a way, there is no one-off in the other expenses?

Vidhya Srinivasan: There is no one-offs because you guys then come back and tell me, so I think 18 and 19 because of the Europe we can say.

Binay: And now, with the recent Hunter launch that we have done, do you think that the gross margin trend will trajectory wise remain the same or have you passed on all the costs that you have added to the vehicle in the relaunch?

B. Govindarajan: Yes, that is a leading question, Binay. As Vidhya was mentioning, it is a balance between the growth and the profitability percentages. We have been saying that we have to grow in a market that is what it is. The initial belief which we had is that when more and more competition is coming, the whole segment will grow and in the process, we will also grow in that. The whole segment, I think others are not able to grow the market. So that it is the leadership of Royal Enfield, we continue to hold that responsibility of growing the market, which we are doing. And second, which you had talked about the gross margins and the absolute percentages, more and more, we will add value to the product, to the consumers. That is what is the requirement now in the market, as Battalion Black when we launched we launched it at an accessible price point because we really felt that is required for us to take the market which was not growing, which has really helped in the way we thought. And it has really grown almost about 22% over the previous year, because the product was conceived right, it was positioned right. The pricing was right for it and it has really helped us. And similarly Classic 350 when we came out with the refreshers, we passed on only the cost, but we added value more into the product, not the absolute profit percentage, which we are not looking at. And as of now with the refreshers, we have taken a price increase but may not be to that level of profitability. But what is more important, which we have to look at is, now value engineering will start kicking in for all these platforms and that is the direction which we are working on improving even profitability. That is a directional thing.

Binay: No team, I think volume focus is the right strategy. And just on OBD, if you could give the cost, that is it from my side. Thank you so much.

B. Govindarajan: OBD2B, the cost increases for all these products. First of all OBD2B, we have transitioned seamlessly, not that we had excessive motorcycles of previous versions and all those things. We all know, every-time when there is a statutory thing comes because we are a retail focused company. We don't build inventory into the system. So to that extent, we didn't have much of an issue in the transition and whatever the cost increase which had come up and that we have added into the product and we passed on.

Binay: Great. Thanks team. Thanks for that.

Moderator: Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my questions. My first question is just on your outlook for FY '26 in the domestic Royal Enfield, exports Royal Enfield as well as the VECV businesses. I think last year we had started the fiscal year with expectations of 10% volume growth for the premium motorcycle category and I think we were able to deliver slightly higher than that on the full year. So I just want to understand how you are thinking about your motorcycle category for FY '26 and with your product launches, Hunter 350 plus, looks like there are a few more on the way. How you think about Royal Enfield's prospects in this space and VECV as well?

B. Govindarajan: Yes. Let me just close on the two-wheeler, then Vinod will talk about VECV. Financial Year ‘25 has been good for us in the growth. We have crossed 1 million motorcycles, which is in the history of Royal Enfield and a company which was almost about a decade back was looking at only about 100,000 motorcycles in one year. We have crossed 1 million. We grew the market and the growth primarily came from the focus of delivering the pure motorcycling experience to the customers with the motorcycles, which are very differentiated and look wise and fit and feel wise, it has to be very differentiated and that is what we have been consistently working on, which has really helped us to grow the market where we are almost about 88% market share in the middleweight and our focus is also continued to be in the middleweight and that is where more and more product we launched and we will continue to have products coming up, refreshes coming up even in the year. What is happening in India which we would like to talk very openly about is that, last year also, the rural market has been very good, and the urban market growth has not been so good. It was slightly muted. This year, with the tax cut, especially on the income tax cut, we expect the urban growth will start coming up back. We are seeing the positive sentiments at least now even in the month of April in the urban market. Rural market has continued to grow, so that way premiumization is continuing, mid-size we have been growing with the motorcycles which are going to come, and which has already been launched and our expenses which we have been putting behind in the marketing activation, we do see even in the coming year, the growth will be good for us. That is on the domestic. On the international, you also asked, Chandramouli.

Chandramouli Muthiah: International and then VECV side?

B. Govindarajan: International, this is the first year we also crossed about 100,000 motorcycles. It is backed by solid retail in all the markets. We are #1 in UK in the middleweight, #2 in Argentina market and #3 in Brazil market. Brazil market is opening up. During this year, we also entered into the new market in Bangladesh, which is showing very good sign for us. Over the years, we have been developing the brand building, driving community and events and of course with the motorcycles, we are actually the top 4 mid-weight motorcycle brands in many countries across the world. Even now, the international markets, whether the sentiment is so strong, it is not that way. As I mentioned in the last call also, we are cautiously optimistic about the international market, but our retail has been good, our interest in products has been good. In fact, we launched the Himalayan in Brazil very recently because it takes time for the entire homologation cycle. There is a huge resumption for that product in the Brazil market, so when the product hitting in to the market, the market is ripe, and we are going to work on brand building in a very different way. That is how we feel the growth is going to be very good. With the tariff situations, I am sure some of you will be looking at what is that scenario or how we are handling it. In some of the markets, especially USA, we do have a stock to overcome the riding season at the pre-tax level itself, pre-tariff level itself and we are continuing the exports as of now. So we do see even in the export markets, the growth will be very good. But what we are doing at the back end to get the export market growing in the long term, I think that is where the focus is more and more. Now, probably VECV, Vinod can add.

Vinod Aggarwal: As far as VECV is concerned, as we have seen, last year, we have grown by 5.3% as against the flattish market. If you see all the segments, we have grown in all the segments, our market shares have grown in all the segments and of course, this is based on our continuous expansion of our distribution network. We are present in more and more territories, so we are penetrating more and more into the distant markets of the Eastern sector as well, and of course we are also opening more of the company owned dealerships in some of the difficult locations. So therefore all these steps are helping us to improve our market share. Going forward, we are expecting that the market will continue to do better because the economy is growing and it is expected to grow this year also, 6.5%. The replacement market is expected to remain strong. Infrastructure investments are expected to remain strong. Therefore, the fundamental factors are all in place. Now, of course, there are always some hiccups here and there because of sentiments or because of, for example, if this recent war, which was there, this would have dropped down the sentiments. Similarly, if there are some other factors which drop the sentiments, that brings down the demand only temporarily. On the fundamental factors, the market will continue to remain strong and will continue to grow in the short to medium term.

Chandramouli Muthiah: That is helpful. My second question is, on couple of data points, if you could share the full year export revenues as well as the non-motorcycle revenues, please?

B. Govindarajan: Full year what?

Chandramouli Muthiah: Export revenue?

Vidhya Srinivasan: Yes, 13.5% is our share of international markets and non-motorcycle full year is close to 15%, will take for both domestic and international sale.

Chandramouli Muthiah: So you said 15% for non-motorcycle?

Vidhya Srinivasan: 14.8% for both domestic and international together for non-motorcycles.

Chandramouli Muthiah: Got it. That is helpful. Thank you very much and all the best.

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

Gunjan Prithyani: Hi, thanks for taking my question. I just wanted to go back to the margin question. There were two things that we spoke about last quarter. One was this, EV unveil and a lot of events that we had bunched up last quarter, right. If I roughly remember the number was some Rs.60 - Rs.70 crores. So I am just trying to understand, was there anything specific such sort of events which were there in this quarter that we didn't see any reduction quarter-on-quarter on that front? And also if you can talk about this Rs. 19 crores liquidation expense that you spoke about, what does that pertain to?

Vidhya Srinivasan: So Gunjan, if you recall my last quarter, what I said was that we had the increase of 70, some part of it is because of one-off. So this time when I mentioned it earlier in this call, what I said is there is the Rs. 30 crores reduction of marketing spends versus Q3, which is really the expense that we had, the event and launch related expenses which we had in Q3, which we did not have in this particular quarter. The Rs. 19 crores is because of there are some distributor liquidation that settlement expenses, etc., pertaining to that.

Gunjan Prithyani: And yes, I am just directionally trying to understand like there is clearly, it is good to have the growth back, but I am just trying to understand how we should think about this line item because there has been a pretty big step up. Is it that we do need to do a lot more in terms of the marketing interventions or do you think now we are at that steady state of marketing interventions that it is more about bringing refreshes, etc., just some color, how do we think about this line item?

B. Govindarajan: Gunjan, it can't be static, first of all, because we always have to look at the funnel. What we look at is every month we will start looking at what is the kind of inquiry, what is the booking, what is the conversion and also on the brand track study, we have to triangulate it and then see where we need to spend money. And all the new brands like Guerilla and now the new Hunter with the new colorways which we launched, all those areas has to be continuously on the brand building exercise in the market activation. Will we do like what we did last year? may not be.

Will we not do like last year? we may have to do it depending upon how the brand pack is actually showing us, is that yes, some area you have to do a marketing activation to grow because growth is the one driver and everything have to actually work around that and that is why we always say that don't look at the percentages, look at an absolute value, because that is how the growth in an organization can get propelled.

Gunjan Prithyani: Got it. And just on the Hunter, the refresh that you have made, can you just talk a little bit about what is it that we are trying to target there? There were clearly an agenda set with Battalion Bullet bring the retro look back. What is it that we are trying to do with this and our expectation in terms of what it does to the brand, given that it has been at 15,000-16,000 units per month run rate, are there white spaces that in terms of geography, we are trying to plug, some thoughts around what are we trying to get with this refresh?

B. Govindarajan: So within Hunter, we launched in August 2022, the thought process at that point of time was when we launched this product, it has to get us a new set of customers. There should not be cannibalization into the Classic. That is the primary thing which we went in and it has really helped us to get almost about 15,000 numbers, an average of about 14,600 numbers. But over the years, we have crossed, you all know over half a million Hunter sales from August 2022. What we set out, it has done well, but we also saw, as I mentioned in our studies, we saw that the growth is a bit muted and it has a very good potential and we went to the market and trying to understand what is it required for doing more and we could see that we have to do a bit more brand activation, sustenance activities for the product and also product intervention. That is why on the product, if you look at, it is for city condition usage, tight traffic conditions. So we wanted to bring in an assistant clutch which we offered into this right comfort, which we have increased and ground clearance, slightly we have increased in this motorcycle. We have brought in LED headlight into this, a tripper part is added, USB charger is added and new color variants are added. Why are we doing all these things is primarily because there are young consumers who are looking at. Now, the marketing activation for Hunter should be towards the younger audience to make it cool and vibrant and youth focused brand, Hunter and that is where the focus which is going to be for the coming year and that is why we came out with the refreshes with all the feature additions, the next growth phase, which has to kick in after that activation starts in, Gunjan.

Gunjan Prithyani: Got it. And just last clarification on the tariff, did you mention anything, how does it affect our North America exposure, any sense that we have, how should we be thinking about that?

B. Govindarajan: Two things. First is because of the tariff, initially there was a higher than 90 days break and there is something which is going back and forth. As I mentioned for the riding season, first of all, we have protected with an inventory which we were having there in our warehouse at Dallas. So to that extent, the season was not missed. It is also pre-tariff rate. So we are not changing the MSRP in North America. Now that tariff situations are being discussed, we are watching it and correcting the FOBs and all those things to be. The MSRP is not altered much for our consumers.

Gunjan Prithyani: Got it. I will join back in the queue. Thank you.

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

Kapil Singh: Good evening, sir. Sir, just wanted to understand your thoughts on the growth profile of the market if we make 2 broad buckets, 350CC and the portfolio of that, when you look at growth, there is some increase in mix for the 350CC. So when you are looking at things going ahead for next, let us say, 2-3 years, how do you see that and any factors here that you would like to share that why the 350CC mix has gone up? Because 650 also we had or 450 also we had good launches and the base is low, so the growth could have been higher there as well, so any thoughts there?

B. Govindarajan: But I think our 350CC, we came out with a lot of products during this year. So even in 650CC and in the 450CC is the Guerilla which we launched. So everywhere we have been looking at products which have to come in which gives a differentiated experience to the consumers in the white space. We constantly look at where the space and what is that we can do and every product I have to give you different experiences. If I have to tell you about the 350CC segment and that is the segment which is almost growing and it has given a growth for us in the last year and in the 500CC plus segment, we are almost 95% plus. That is where our strong position is. But we do have products which are there in all those CC segments. With the activities which we are doing around the community, marketing and with the refreshers which are going to come even in this year and finance availability, all those activities are what we feel that the growth is going to continue, and the fundamentals hasn't changed, right. The premiumization is continuing, the money availability in the urban market is going to be better, rural is growing. So when the whole two-wheeler market has the positive sentiment, normally, the premium motorcycle sales also go up and that is the trend which we have always seen and that is the positive trend which I am seeing even now.

Kapil Singh: Do you see the mix shifting towards 650 or 450 over next 4-5 years or, you don't see any significant change?

B. Govindarajan: Look, I think the percentages as such they are actually at the stage, so the percentage of growth may be very different because the base is so low. But I don't see that the 650 to 350 there is going to be a complete switch and flip which is going to happen in the next 2-3 years, but wherever the growth is happening, our products are there and we will continue to have more products in those areas. So that at least we are there in the consumer's mind that when they see that I need a product at a particular CC level, Royal Enfield product is readily their type.

Kapil Singh: And sir, one question was on the CAPEX plan, if you can just give us an update on how many new launches we are planning next year? We had I think 6 last year for Royal Enfield and in what areas will the CAPEX go towards? And one housekeeping question, just on the commodities, if you have any outlook to share and any pricing changes that we have done? That is all from my side?

Vidhya Srinivasan: So I take the CAPEX to be between Rs. 1,200-Rs. 1,300 crores next year, which is largely towards investment in EV manufacturing facility, product development, and new things. I think as far as the launches are concerned, we will get into specific items about the launches closer to the date of the launches, though of course we said that as far as EV is concerned, we have talked about the timelines publicly. I think the other question you had was about.

Kapil Singh: Commodities.

Vidhya Srinivasan: Commodity prices, I think we are seeing volatility, and I think we have talked about 0.2% that we have got impacted because of steel and aluminum prices as far as the current quarter is concerned versus last quarter. But we are waiting and watching to see how it kind of plays out. So at the moment there is a lot of volatility happening as you know. So it is difficult for us to comment, but we will keep you updated in terms of impact in the coming quarter.

Kapil Singh: So far there is no pricing change?

Vidhya Srinivasan: Pricing change, as we said, we have taken about 1.15% increase in some select models in April.

B. Govindarajan: April itself, coming when the OBD2B transition which was coming up and then the New Year was starting, so we have taken that and if you remember last year full year we said no price increase because we wanted to add value to the consumers and that continues, but this year, as Vidhya is mentioning, we have taken 1.15% in select models in month of April itself.

Kapil Singh: Thank you so much, sir. Have a good day.

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

Raghu Nandan: Thank you, sir for the opportunity. Congrats on the strong volume performance. One clarification, within the gross margin on a Q-o-Q basis, Vidhya ma'am, you indicated a 20-bps provision relating to a few old bikes. So if you can just expand on that? And that is the one-off, right?

Vidhya Srinivasan: Yes, that is one-off.

Raghu Nandan: Understood. My first question was on Classic 650. Given the strong umbrella brand of Classic and how do you see the potential for that model going forward and how has been the response so far?

B. Govindarajan: Raghu, the response is too good. We are very happy with the way consumers are looking at it. Honestly, we are looking at the will that be the trigger for our upgrade cycle because the initial responses, the consumers who have been having Royal Enfield, who bought the Royal Enfield 350, maybe about 8 years back, 10 years back, they all started looking at Classic 650 as an upgrade model, so to that extent the interest is very good. And it is just 2 months. It is in the ramp up stage. So we will wait for another 2-3 months to see how this is really performing, but it has a huge traction even in the international markets.

Raghu Nandan: Got it, sir. And considering the strong volume performance, what are the plans to expand capacity like currently our capacity is 1.2 million units and there are months where we are very close to hitting the full capacity. So how do you see the expansion? How much expansion are we planning?

B. Govindarajan: As we always mentioned, Raghu, our capacity as you mentioned is about 1.2 million with the plants and we also have Cheyyar where we protect the land and we also have the sheds ready. And all our manufacturing facilities are done in a modular way, so what we are looking at even in this year, as Vidhya was mentioning about like CAPEX, some CAPEX goes in and wherever there is capacity enhancement which has to be done, so that we will be using it and we will take the capacity up for the new models which we launched.

Raghu Nandan: So what would be the capacity at Cheyyar, sir?

B. Govindarajan: Cheyyar is actually a plant which will support the back-end operations like Chrome plating, powder coatings and all those, surface finishing for all Vallam and Oragadam plants. That is how it is envisaged as of now.

Raghu Nandan: Understood, sir. And on the export side, what would be the share of global CKD plants in overall exports and how are you looking at capacity addition in these global plants like, for instance, in Brazil you were actually increasing capacity because of the strong demand, so if you can talk about that?

B. Govindarajan: Yes. So, Brazil, you all know because of the tax structure, unless we have a CKD operation, we can't enter into the market. As a CBU, we will only be losing money. We also put our expansion on hold because the CKD facility has to be ready. Having said that, CKD facility with third party also has a particular quota, they also don't have unlimited numbers which they can produce. So initially we worked with a third party. Now, we have added one more party also so that the year's requirement is done and parallelly we are also evaluating what does it mean for us to be of our own and what is the kind of an investment and what is the capacity which we have to build because Brazil is a very good market which Royal Enfield products are getting accepted very well. We are already #3 in the Brazil market and last year we made almost about 22,000 and odd numbers in the Brazil market. So that market is receiving products from Royal Enfield very well. As I mentioned, we launched the Himalayan just about a month back and the reception had been outstanding. So it is an important market for us, and we are committed to invest and build that market.

Raghu Nandan: Got it, sir. And just lastly on the dividend payout, the payout has increased, and we are closer to a payout ratio of 40%, but compared to a couple of other two-wheeler mass market companies, our payout ratio is still on the lower side. How do you see that increasing over the next few years?

B. Govindarajan: Sir would you like to?

Vinod Aggarwal: So I think, if you look at the past track records, so we had been consistently paying out around 33%-35% sort of the dividend payout and this year, we have improved it depending on our better performance and going forward also I think we will be open at looking at, but the right payout ratio based on the performance and the cash situation. So I think this is a good improvement over the previous year, which the Board has considered and given that payout.

Raghu Nandan: Got it, sir. Thank you very much and wishing you all the best.

B. Govindarajan: Thank you.

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

Amyn Pirani: Hi, sir. Thanks for the opportunity. Sir, on VECV, a request as well as a question, given the increasing importance of this business and the way it has been improving its financials, it would help if we can, also get some broad cost heads like raw material, employee and other expenses instead of just revenue and EBITDA and PAT because the kind of improvement that it is showing, it will help us to get a better sense as to how things are going there. And hence the question is that after having flattish margins for a while, in the last 2 quarters, we have actually seen significant improvement in margins. So any broad sense as to whether it is driven by gross margins, whether there is some operating leverage playing out in other expenses? Is your pricing momentum vis-a-vis competition improving, some color there will be very helpful?

Vinod Aggarwal: No. First of all, I think our financial statements are part of our accounts. So you get the full details there on the material cost and our part of the accounts, annual accounts.

Amyn Pirani: Annually, yes, sir. Quarterly, we don't get. Annually, we definitely get that. You are right.

Vinod Aggarwal: It can be given if you want, but I think that is right, let us say. It can be given; I think Anubhav can share. We can share that. That is not a problem. As far as the margins are concerned, this is I think the combined result of better price management, operating leverage as well as cost management. So there is a consistent focus on improving the transaction prices and reducing the discounts and also taking the price increases wherever, if possible and also getting to a better product mix focusing on those products there, of course, the margins are better. So I think, this is the result of the consistent focus, and we would like to continue that same focus and let us hope that we are able to maintain or improve these margins further.

Amyn Pirani: That is good to know. And sir, just to follow up, obviously 4Q is a seasonally strong quarter for the industry. So I am guessing that maybe we should not extrapolate the 4Q number into a full year, but any broad indication like do you have a target of like when should we see like a double digit EBITDA margin for the business on a full year basis. Is it something that you are expecting in the near term or is it something that could take some more time?

Vinod Aggarwal: I think it will be difficult to give actual guidance on that. But of course, you have the quarterly results for all the quarters. You can see things are improving and let us see. I think that will be the effort. I can't give you the exact numbers. That is how it will go on. It is very difficult to predict.

Amyn Pirani: Sure, sir. Thanks for that, sir, I will come back in the queue.

Moderator: Thank you. The next question is from the line of Sanjay Saetati from Ampersand. Please go ahead.

Sanjay Saetati: Yes, I couldn't understand whether this gross margin that you are talking about, the 20 basis points negative impact. Can you just explain what exactly it is?

Vidhya Srinivasan: Which one? What are you referring to,in the fees? Is that what you are talking about?

Sanjay Saetati: The gross margin, it seems like there was some 20 basis points negative one-off. I couldn't understand that part clearly.

Vidhya Srinivasan: So it was essentially some inventory provisions that we created against old bikes, etc., so that is what it was around. If you want, I can give further data separately.

Sanjay Saetati: No, is it like a regular yearend activity or it was something special for this year?

Vidhya Srinivasan: Bikes,, etc., where we cleared up some of the old stock.

Sanjay Saetati: Understood. Thank you so much.

Moderator: Thank you. The next question is from the line of Sonal Gupta from HSBC Mutual Fund. Please go ahead.

Sonal Gupta: Good evening, sir. Thanks for taking my question. So just like, versus, say, the last peak in FY '18-19 to now, we have crossed to a new peak in the domestic market. But I was just trying to understand like, versus, over the last 6-7 years, how would the customer profile have shifted, right, like at that time Classic used to be really the dominant part of the portfolio. Now, it is more diversified as well and in terms of, just trying to understand, like whichever ways you want to segment the customers and how are you looking at the profile now or really speaking in terms of age mix, income mix, anything that you can give?

B. Govindarajan: Yes. At the point of time, when Classic was there were products, which were pulling the full company, at that point of time, the people who were looking at average age would have been almost about 38-40 types. Over the period, we have added products which have actually brought the average age of Royal Enfield customers lower. Hunter, when we launched, it actually brought in at about 24-26 years as the average age. Meteor when we brought in, that also brought in the younger audience, so more and more what is happening is the younger audience are coming in, so the average age of the customer profile of Royal Enfield has drastically come down. This is a good sign. That is where the growth is happening and our first time buyers have also increased almost close to 19%, all those young guys who are looking at. So all our products which are now targeted towards more and more, younger, youth, cool thats where the products are coming, that is where the traction is, that is how the average age is also coming down. Some products may be Classic 650, if I have to talk about that, that won't be at a very young age. Obviously, the average age will be higher because that is a product, which is pitched for, in a way, as an upgrade product for people. There the average is slightly higher. If I have to give you some numbers, around 30 plus percentage of the consumers are below 25 years as of now overall aggregated level, but there is product level we have to see and another about 60%-65% will be about below 35 years of age.

Sonal Gupta: Got it, sir. And Sir, would you give us a sense of what sort of medium income level would be there for the customer?

B. Govindarajan: Very difficult because we always believe the product and the brand has to be, The guy who was actually sitting in the car and the guy who is driving the car, both should aspire to own a Royal Enfield, so it has to be at an accessible price point. I can tell you in the other way, maybe we will do a bit more cut and then send it to you, that our finance penetration is also going up. So it is almost now what 61% is our finance penetration, which is also showing there is a good traction for even the younger audience.

Sonal Gupta: And just lastly, how much would top 20 cities be of our volumes now?

B. Govindarajan: Around the top 20 cities will be about 18%-20%, 22%. That is the range.

Sonal Gupta: Great, sir. Thank you so much for answering my questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

B. Govindarajan: Thank you very much. It has been wonderful talking to all of you guys. As I mentioned Royal Enfield both at VECV and at Royal Enfield at Eicher level, we are focused on what we need to do for building future growth and we are confident with the current market situation and the kind of product which we are having at Royal Enfield and from VECV, our growth is in the right track. Thank you very much for joining this call.

Vinod Aggarwal: Thank you.

Vidhya Srinivasan: Thank you.

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