



“Eicher Motors Limited  
Q1 FY22 Earnings Conference Call”

August 12, 2021



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- Raghunandan:** Good evening, ladies and gentlemen. On behalf of Emkay Global Financial Services, I take the opportunity to welcome you all to Eicher Motors Q1FY22 Earnings Call Webinar. From the management team, we have Mr. Siddhartha Lal, MD of Eicher Motors, Mr. Vinod Dasari, CEO of Royal Enfield, Mr. Kaleeswaran Arunachalam, CFO of Eicher Motors. We thank the management for providing us the opportunity to host the call. We request the management for opening remarks which can be followed by Q&A session. Over to you, sir.
- Siddhartha Lal:** Good afternoon, good evening to everybody. Welcome to the Eicher Motors Earnings and Quarterly Call. Before I get into the financials and business update, you would have seen the announcement that Vinod Dasari has decided to leave Royal Enfield and he's continuing with his own hospital project that he and his wife have been working on. I just want to take the opportunity to tell you that Vinod is going to be leaving and this is his last call at Eicher Motors. I want to wish him all the very best and we will ask him to say a few words after this. I just also want to confirm that B Govindarajan who has been with Royal Enfield for over 20 years and who is currently the Chief Operating Officer will be taking over as Executive Director in charge of all Royal Enfield business after Vinod leaves. So, Vinod, would you say a few words first and then we can get on with the business update.
- Vinod Dasari:** Thank you Siddhartha, I appreciate the kind words. I think it has been a fabulous, though short journey at Royal Enfield. We had many external challenges like COVID and all that and we came through all of that and continued on our path to what we wrote down as RE 2.0 goals, which was to grow significantly outside India, which was to grow significantly in non-motorcycle and it was to substantially expand our digital transformation. All of that we did quite well and I think the long-term plans of the company are solid. We as a company have always thought very long term. So, I'm super excited about the future of Royal Enfield. It is just that many years ago, we moved back to India and we wanted to do something for the society. My wife was running a charitable clinic for quite some time, but she was not able to serve the purpose completely because we didn't have a hospital. So, we invested what we saved into a hospital and when we built this thing. She realised that she can't run it herself and it's a not-for-profit hospital and Siddhartha, just to correct you, it's not a hospital I built, my new boss will be quite upset. It is something that my wife built, and I am going to be working closely with her and trying to at least bring this not-for-profit hospital to sustainable things and all your best wishes will certainly be useful.
- Siddhartha Lal:** Vinod, thank you for all your tremendous contributions at RE. We will certainly take on from there, myself, Govind and the team, will make you proud.
- Moving on to the financials and business update for Eicher Motors Limited. The first quarter of this financial year like last year was impacted by the pandemic, with the second wave of COVID



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running through most of April, May, and some parts of June. Our manufacturing and retail operations were affected due to lockdown and other restrictions. We have continued to stay resilient and deliver on all our focused areas and underscored by our best ever quarterly performance in export markets. We had an absolutely stunning quarter from an export perspective. We delivered a very large number of motorcycles across the world including the Americas, Europe and Asia. We saw a fourfold increase year-on-year and around 28% increase from the previous quarter that means the quarter ended 31<sup>st</sup> March 2021. And if you remove COVID comparisons, because they are low base, we had an 83% increase over Q1 FY20, so it's still a very large increase from pre-COVID. Of course, even in the domestic market we had a good growth of 91% but that was on a very low base of last year.

On the VECV side, the trucking industry has witnessed an extremely tough Q1 FY22 after a relatively decent performance in Q4 of last year. But despite that VECV registered a yearly growth of 167% in domestic market and 189% in international market, again on a low base of previous year.

Overall, as the economy recovers from the second wave, we do foresee the challenges easing out in this quarter already and in H2 FY22. The supply of parts and components, and the growing pressure of escalating commodity prices continues to be an issue, particularly, the semiconductor shortage which is continuing to affect us across the board. We have lots of action plans for that. We are working steadily towards improving the situation. Our suppliers are working towards that. We have alternate sources also in the works. So, there is a lot of action in the works, but that is still one of the bottlenecks because our demand position is strong on motorcycles for sure and now the supply needs to rise up to meet the demand.

The consolidated financials for EML for the first quarter are - we had a revenue of Rs 1,974 crores, which is up 141% from a low base last year. We had an EBITDA of Rs 363 crores against Rs 4 crores last year and the EBITDA margin was at 18.4% despite of much lower volume because of COVID situation and resulting in a Profit After Tax of Rs 237 crores this year against a loss last year. So that's our overall update. Now, Vinod, you could give us a full overview of Royal Enfield and its first quarter performance for this financial year.

**Vinod Dasari:**

Okay, Siddhartha. Thank you for saying that. As far as Royal Enfield is concerned, we sold 122,000 motorcycles more than double of last year where we had 58,000 motorcycles, highest ever exports as Sid mentioned in a quarter, increase of more than 400% at 17,500 motorcycles.

In India, sales were impacted due to the nationwide lockdown, COVID Wave-2 and all. But our market share remained at about 28%, similar to where we were a year before at about 30%. But we



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significantly enhanced our focus on non-motorcycle business, apparel, accessories, and spares delivered tremendous growth and we are on track to achieving our objective of increasing the share of non-motorcycle in total revenue to 20%.

As Sid mentioned, the international success shows continuous progress on our vision to becoming a global motorcycling brand. We had a four-fold increase in exports year-on-year, more than 28% increase sequentially and 83% increase compared to Q1FY20. The solid performance in Americas has supported the overall growth, but even in UK, Royal Enfield topped in two segments for June, both in customs as well as the modern classic, where the Meteor 350 did very well in the custom segment and the Interceptor did very well on the modern classic. We were the Top Selling Motorcycle brand in New Zealand in June, and we were among the top three motorcycle brands in the mid-sized segment in Thailand.

As you might have seen in the news, we commenced local assembly operations in Colombia. It's the third biggest motorcycle market in Latin America and with a dedicated unit in Antioquia. This is our second CKD plant in international markets after Argentina and we will continue to work towards more. To begin with, the plant will locally assemble the Royal Enfield Himalayan from this month.

As far as production is concerned, it was impacted due to the lockdowns and the supply chain disruptions, as you might have heard the ABS and the semiconductor shortage continue to affect the ramp up efforts. We are working towards quickly resolving these issues with our partners and we are also finding some alternate sources. On the retail network, though we continued our domestic network expansion plan over the last two years or so, we have more than doubled our network and now we have more than 2,000 stores. We continue to expand in international markets with an addition of 8 exclusive stores and 19 new multi-brand outlets. With this, the total number of exclusive stores outside India is 140 and we have 650 multi-brand outlets.

Meteor 350 continues to be a tremendous success. It was launched in US, UK, Europe, Asia Pacific and LATAM after the successful launch in India last year. It has got great reception and strong Q1 FY22 performance across Europe and Americas. It has won almost every award that you can think of including International Motor Show award in Indonesia, Motoring World awards, Bike India awards and so on. It does deliver on our commitment to grow and expand the market size in motorcycle. So, we are truly excited because it's not just a motorcycle but a whole platform that we are launching.

Along with this platform, we had for the first time launched it on the Make It Yours digital platform. It was an industry-first personalization where people can design their motorcycle and we make it



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specifically for them. They can design it on their mobile phones and place the order, it's a complete paradigm shift. Nobody had to go to the stores anymore. So, all our 2,000 stores are now MiY enabled. MiY adoption has the parallel benefit of accessory penetration going up significantly. 80% of our bookings for Meteor 350, Classic, Himalayan and Twins are now via MiY and we are now going to upgrade this and take it to the next level in the near future, with future launches.

We have slowly started coming back to the rides, as we continue to nurture the spirit of pure motorcycling to enable stronger connect between riders and their machines. Royal Enfield got the top two places in the inaugural races of the Dirt Track Riders Associations in UK and our first ever half-mile win at American Flat Track in Lima, Ohio half-mile race. And to encourage more and more enthusiasts from diverse backgrounds to embrace riding, we introduced the second edition of BTR or Build Train Race, this is our women only racing program in the USA.

The market recovery has started well. With the market still recovering from second wave of pandemic, we foresee the situation of production and supply chain constraints to be slowly coming back. It will persist for a little bit, but it will come back. We continue to be on track with our expansion plans and product related initiatives. None of our long-term plans got affected by this ongoing pandemic, we continue to work hard at it. In fact, it gave us an opportunity to accelerate several things. We expect the production to scale up and the sales to improve in the second half of the year, as the chip situation starts to improve. Back to you, Siddhartha.

**Siddhartha Lal:**

Thanks. Now, I will just give you an update on VECV financial business performance. The revenue for VECV was Rs 1,639 crores, which is up 156% from a low base last year. EBITDA was at Rs 18 crores versus a loss of Rs 72 crores last year resulting in 1.1% EBITDA Margin and Profit After Tax, there's a net loss of Rs 72 crores against loss of Rs 120 crores last year. The total sales were at 5,800 units, up 173% from last year. Of course, the second wave has impacted VECV business a lot, Q1FY22 was challenging. However, with the improvement in the COVID situation and the economy looking up, we are certainly seeing an improvement in the entire CV industry and VECV performance as well. We are already expecting that in Q2 FY22 and beyond.

We have been working closely with partners, suppliers, and customers in various ways. Whether it is extending warranties for our customers and supporting our dealers with medical and financial support. There is a lot of work going on to get everyone back on stream. We have had a few very successful product launches in the meanwhile as well. The Eicher Skyline Ambulance has come into the market with very good life saving features etc.

We have also introduced the Eicher Pro 3015 XP, which is India's first 17.5 tons truck, which expands our light and medium duty product range from earlier 15 tons to now 17.5 tons. We also



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have been doing very well on CNG because the opportunity is very strong on light and medium duty trucks on the CNG side. And because of support from the government and very good cost economics, VECV has really strengthened its position in the CNG segment through a wide range of offerings. So, that's the overview for VECV, Royal Enfield and EML as a whole. Now, we can proceed to the Q&A.

**Raghunandan:**

Thank you Siddhartha, we will be opening the Q&A session for participants. Anyone who has a question, please use the raise hand option. Participants request you to limit your questions to two per participant. Once the participant is called out, please unmute yourself to ask a question. As the question queue assembles, a couple of questions from my side. Firstly, can you give some colour on the current production situation? Can you talk about ramp up of production in the coming quarters in light of semiconductor shortages? Media reports today are indicating revised production schedule or target of 6,50,000-6,90,000 for FY22. My second question is Mr. Dasari's exit has come as a surprise, considering various strategic plans. How do you see the smooth transition process? Thank you, Sir.

**Kaleeswaran Arunachalam:**

On the first question Raghu, typically we do not give a full year plan on where we land on volume etc. But having said that, there have been constraints that you have seen on account of COVID and chip shortage that has been coming in.

You would see there are plans that we are working on, to see what the opportunities are on alternate vendors, how the existing vendors can scale up over a period of time. As an output of that, you would see the supplies gradually resuming back and coming back to its original levels. Q3 of last year, you would have already seen, we touched a peak of about 80,000 odds in terms of production. There are challenges at this point of time, but we are confident that in the long term it will get addressed and our plans are intact for the long term. Sid, you may want to add and take up the second question.

**Siddhartha Lal:**

Vinod, you can start, and I can take the rest of the second part of this question.

**Vinod Dasari:**

As I said earlier, we as a company always take long-term decisions and long-term strategic calls. In some cases, we made substantial progress whether it was international growth, digital transformation, or the non-motorcycle portion of the growth. Sid likes to refer me as a pinch hitter in cricket, so I came and played my Hardik Pandya innings and got things moving. COVID was sort of a blessing as we were able to accelerate a lot of other things that were otherwise stalled. And now, we have a fantastic team. I was there merely for two years. This is a fantastic company who's got an amazing track record of success and these short-term things like chip shortage and all



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are not going to burden this company. They have strong plans, a very strong team, an excellent brand, they will go forward and make success a habit again.

**Siddhartha Lal:**

Yeah, absolutely. Thanks for that, Vinod. In the last couple of years, Vinod has made some absolutely tremendous contributions at Royal Enfield and put us on a very good track. Govindarajan who has been COO since 2013 is now taking over running of the business at Royal Enfield. And, I will, of course continue to work with him directly on all of our plans in Royal Enfield. So, we are very confident of our future of course, and we wish Vinod all the best.

**Raghunandan:**

Thank you, Sir. Moving ahead to the question queue. We have the first question from Binay Singh. Binay, please go ahead.

**Binay Singh:**

Hi team, thanks for the opportunity. Best wishes to you, Vinod. It's been a long time since we have been interacting with you, best wishes for the new venture. I'll go back to the question that Raghu asked, you know there is a very specific number given in the article today in the media that the company is talking about, targeting 6,50,000-6,90,000 units production this year. Are you denying that? As per your internal estimate, is it going to be higher than that? Because it's a very specific number given out, which is why I do appreciate your comment that production will improve from here on, but then how would you look at it in terms of range that has been communicated?

**Siddhartha Lal:**

Binay, sorry we don't give forward guidance. So, whatever you're reading is speculative and that certainly hasn't come from us directly. As we see it, we have a strong demand position. We have got order book and as you can see, our exports are flying high and we have got a lot of export orders as well. So really, it's all about improving our production. And honestly, there will be smaller bottlenecks, but it's extremely turbulent times. So, it's not business as usual at all in any respect, as you can understand. But the main bottleneck, I would say, to increasing our production is semiconductor shortage. We are working on it on many different fronts. We have got a lot of actions going on in-order to improve that position, whether it is with our current suppliers where there is also a traction of improvement by the end of the quarter, perhaps, and certainly in H2 FY22 but it's not a straight increase, it's more of a step increase that you are going to see over the next many months. And we also have been working over the last year, in fact, on alternates as well, we could see traction there. So, we are all hands-on deck in getting our production numbers as high as we can at this moment.

**Binay Singh:**

Thanks for that Siddhartha. My second question is on the gross profit per unit. As per my estimates, it seems like Royal Enfield has posted an all-time high gross profit per unit this quarter. I assume it would have come from a combination of factors. Could you talk a little about the export number that we are saying, almost 18,000 units a quarter? Is it sustainable? And, secondly linked to what



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Vinod talked about accessories reaching 20% of the target, is that already becoming sizeable that it is contributing to this gross profit? Could you talk a little bit about that? Thanks.

**Kaleeswaran Arunachalam:** Binay, in terms of gross profit, as you rightly said that it is a combination so, partially the gross profit has improved on account of international mix being higher, and also on account of model mix that has happened in India. And most importantly the pricing actions have also started yielding in terms of at least getting back to a margin trajectory that we wanted. So, it's a combination of all the three. We do see our export business as a sustainable one. Demand has been quite good and as we move forward, we should see good traction. And on apparel and accessories, the growth has been strong. Post MiY, we have seen our GMA business growing up significantly. The long-term targets that we always have been discussing about as a range, I think we would be able to achieve that, both in exports and in non-motorcycle.

**Binay Singh:** Great. Thanks for that.

**Raghunandan:** Thank you. Next, we have a question from Jinesh Gandhi. Jinesh, please go ahead.

**Jinesh Gandhi:** Sir, my question pertains to apparels and accessories. While our target is 20%, where we are currently with respect to those numbers? That's my first question. And second question pertains to the order book, which Siddhartha was referring to, so what level of order book we have currently? And lastly, with respect to the New Classic launch, if you can share the timelines given that it has been getting deferred because of unforeseeable circumstances. Thanks

**Kaleeswaran Arunachalam:** Unfortunately, your questions have got numbers which typically, as you know, we don't discuss. But at this point of time, the non-motorcycle business, it's pretty small in terms of size, but we are seeing significant progress in terms of let it be the penetration of GMA or the average bill value going up. So, we do see that to sustain over a period of time, driven by MiY, coupled with the new launches that would come in. We don't talk about our new product launches and calendar. You would hear more about it as you go through the quarter. Sorry, there was one more question, anything I missed out?

**Jinesh Gandhi:** Order book.

**Kaleeswaran Arunachalam:** Again, we don't call out specific numbers on order book. We have a healthy order book at this point of time. We would see as to how we cater that link to production as we move forward to the other quarters.

**Jinesh Gandhi:** Okay, thanks.

**Raghunandan:** Thank you. Next, we have a question from Kapil Singh. Please go ahead.



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**Kapil Singh:** Hi, Vinod, wonderful initiative. Wish you all the best for the same. May I clarify if the company plans to hire anyone in the CEO position?

**Siddhartha Lal:** We are not hiring anyone in the CEO position. Govind is taking full charge of Royal Enfield business and I plan to work very closely with him on everything and the same management team continues. So, there is no new hire planned at the senior level at Royal Enfield for the CEO position.

**Kapil Singh:** Sure Sid, I have two questions. So, firstly can you please comment on the demand environment currently, because we are not able to see the real volumes because of these shortages. So where is the underlined level of demand right now, if there were no production constraints, what would you be shipping? That's the first question. And second is, on electrification, how do you think about electrification in your segment in the long run? Is it very far off or do you think it could happen in the next five-seven years?

**Kaleeswaran Arunachalam:** So, on the demand side, it's a mixed bag to comment as to what has cost what. So even as we speak right now there has been intermittent lockdowns that you're seeing in many states, Karnataka is into a weekend lockdown and a night curfew, Tamil Nadu has got a lockdown after 5 pm etc. So, wherever we have opened, the traction has been good, and it will be linked to production as to how do we cater to the demand as we move forward. On the EV side, from a business strategy perspective, both the product and business development, we have got our teams in place. Having said that, for the segment that we operate specifically which is mid-sized, we think it will be a long drawn process in terms of when EV would fructify and the vehicle would be on the road. But we are not leaving any stones unturned from our perspective and strategizing and operationalizing our EV business model. Sid/Vinod, if you would like to add anything.

**Siddhartha Lal:** Yeah, just to reiterate, of course, the demand position is continuously improving as the second wave is dying down in the country, in India, and as you've seen in international markets, it is very healthy for us. So again, we can't break out numbers, but it is growing well, we have a strong order book and all focus is on the production at this point. I like the way you have framed the EV point. You stated if it is a long term or five to seven years? I really liked that because those are the kind of timelines we are looking at. It is not next year or the year after, that is not when things will happen in our opinion. Of course, there will be products, there will be ups and downs, there will be some headway here and there, but we are really focused on the long-term and that's five to seven years and beyond. We have taken the opportunity to take many steps back to look at a clean sheet of paper and we have been doing that for three years. We got a very good team, a capable EV team working on the consumer side, working on the technology side, working on the business side, and we are really confident of our approach to EV. Having said that, we are extremely deliberate, as you have seen in the last many years, it's not the number of launches which is as important as the



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quality of motorcycles and the precision of motorcycles, in terms of being able to penetrate the market and to take share, and to grow the market in our case, because in India we are not really taking much share from people, we are just growing the market. So even in EV, that's very much the approach, which is that we are forming the product strategy, the game plan, we are working on the technology, we are putting all those things together. It will be a few years before you see anything from us but that is because it is a very deliberate plan, because when we do come with the motorcycles at the right time, because I think you also insinuated that the market is not really ready in India, for sure, from a price value equation. Currently, it is way off. An equivalent EV maybe, still double the price, if you were to sell it with any margin, than an equivalent petrol bike. So, it is really not the right time to make a big entry into the market just because the economics don't work for the consumers, even with all the benefits and other things. So, we will hopefully time it right, so we are not in the position where we have to lose too much money or anything of that sort. But we are working tremendously on EV. We are extremely bullish about our own EV strategies, but it is in the five to seven-year horizon where a lot more will happen in Royal Enfield on the EV front.

**Raghunandan:**

Next, we have Venugopal Garre. Please go ahead.

**Venugopal Garre:**

Hi. Thanks a lot. Firstly, best of luck Vinod for your new initiative. I have just two small questions. One is on the product launch cycle, given the challenges you are seeing on the supply side, the last launch for us was probably around 11 months back. So, I'm assuming that given that you have had a fairly healthy pipeline, two things might be happening. One is bunching up of products, I am assuming you would want to still keep some gap between the two launches. And number two, with the shortages on the supply side, how does it sort of alter your next launch or the launch, which is probably imminent. That's the first question.

**Siddhartha Lal:**

Yeah, there is of course that issue. I mean if you're not able to produce enough, you can't really launch a product, you need enough stock to launch a new product. Because in our case, we have seen there is enormous demand in the early stages. And if you can't fulfil that, it could even have detrimental effects on the new products. But that's only a couple of months here and there, it's not the biggest issue. We want to make sure we do it right, so that's the approach you have seen from Royal Enfield in the last many years that no shortcuts would absolutely ride. And, we believe that's really helping us in every single way possible. There will be some bunching up, but we are well aware of that, I mean, there will be some pushback and other such things, but hopefully, if there's no other major situation, as we move forward in the next few months, the supply side as you talked about will also certainly improve and then our product cycle should get back on track. There is no question because of the severe lockdowns that we faced in the last few months, that there has been



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some pushback by a few months, but it's only a couple of months in most cases for our new products.

**Venugopal Garre:**

Thanks Siddhartha, the second question is, the chip shortage part, sorry for asking this again, but is it worsening compared to what it was earlier? Because it is not just related to you, we understand that other automobile companies also have been highlighting that fairly vocally for a long period of time now. So, is it worsening compared to earlier? Number two, is when I speak to semiconductor companies, which we have done over the past few months as well, they do indicate that usually auto companies do get an advance alert because it takes about a few months of production cycle for the product to come out. So, in that sense what you're seeing today does it really surprise you, in terms of the shortage that you are getting hit right now?

**Siddhartha Lal:**

Well, the thing is it is very turbulent Venugopal, because things have been evolving a lot. So, some parts of the supply chain have improved, and this is for chips, unfortunately, this is not at all under our control, it is not even in India. We were reviewing it recently, in some cases, there are seven different countries, three different continents where the thing gets processed before coming into our shores in Chennai. So, it's quite complex and it is turbulent. One day we will get better news, the next day we will get worse news. But the general trend now, as we are seeing is that there will be step-by-step improvement, not an enormous improvement in one day. There will be step-by-step improvement in supplies for us. I am talking particularly about Royal Enfield. We have also activated over a year ago, additional suppliers and other things for different components that we have. So, we should be making use of that as well in the coming months. We do see a better situation in the coming months, but it is still a bit cautious because for the next many months, we are not getting our peak requirement. So, whatever our peak requirement is, that is not going to come yet. It will be a step-by-step improvement over the course of the rest of this year. Hopefully by the end of the year, it should be nearly at the right level.

**Venugopal Garre:**

Thanks Siddhartha.

**Raghunandan:**

Next, we have a question from Gunjan Prithyani. Please, go ahead.

**Gunjan Prithyani:**

Thanks team for taking my questions and all the best Vinod for pursuing this noble cause. Two questions from my side. Firstly Kaleesh, if you can talk about the kind of cost headwinds we are seeing going into the next few months? And what kind of price increases we have taken in this fiscal? Is there still a case of under recovery on the cost side? That's my first question. I'll get to second after that.

**Kaleeswaran Arunachalam:**

Sure, I think, as of date including the pricing actions we have taken in July, Gunjan, it has helped us to protect the gross margin that we have been running at last quarter level to be precise. Going



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forward, we do see commodity headwinds to continue, but may not be to the extent that we have seen in the last two quarters, Q3 FY21 and Q4 FY21. So accordingly, we may have to review the situation and take pricing actions as we move to the coming quarter between Q2 FY22 to Q4 FY22.

**Gunjan Prithyani:** So, if I get it right until now, we are fully covered up for all the cost inflation we have seen.

**Kaleeswaran Arunachalam:** That's right.

**Gunjan Prithyani:** And from here on we do anticipate further pressures going into the September quarter.

**Kaleeswaran Arunachalam:** May not be to the extent that we have seen.

**Gunjan Prithyani:** Is it possible to give us some quantification of that?

**Kaleeswaran Arunachalam:** Pretty difficult to predict that Gunjan, at this point of time. I think you have seen up to Q3 FY21, the inflation was almost nothing and in December, everyone saw almost 80% of the commodity inflation hitting in there. The only thing is that kind of spike, we don't envisage. It could be in low single digits at this point of time. We will get into details as we look at the specific quarter.

**Gunjan Prithyani:** Okay. My second question is a little bit on a broader level. When I go through your annual report, you do touch upon a point that, we've seen some decline on the financing side in the industry. Is that, it could be explained by the way we've seen the asset quality deteriorating with the NBFCs and the banking sector. Could you just talk a little bit about it? Is that a real concern for the industry, particularly at a time when we are seeing such a steep product inflation as well.

**Kaleeswaran Arunachalam:** Difficult to comment on the industry level but let me restrict to Royal Enfield. Our penetration post-COVID which had hit us somewhere around Q1 FY21, we continue to be around 45-47% which is in a range, so we have not dropped significantly. In terms of asset quality and risks, Royal Enfield is probably one of the lowest in terms of delinquency ratio at the industry level. So, we do not see that as a significant challenge for consumer. We are working on base, on how can we improve the user experience and customer interface when he goes through financing as he comes to us, across models and other financing opportunities, through existing and new banking partners. That's what we're looking at.

**Gunjan Prithyani:** Okay, got it. Raghu, can I pitch in one, if it's okay?

**Raghunandan:** I would suggest you come back in queue.

**Gunjan Prithyani:** Okay. Sure. No worries.

**Raghunandan:** Next, we have questions from Manoj. Please, go ahead.



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**Manoj Garg:**

Very good evening and thanks for taking my question. We have seen a very strong traction in the export business. So, I would just like to pick your mind in terms of the way we have spoken in the past and I think some of the strategies which you implemented, now obviously giving us the kind of results. So, maybe from a mid-to-long perspective, how do you see this export business and particularly, if one would like to focus in terms of your Southeast Asian market and LATAM market.

**Siddhartha Lal:**

We took a call many years ago that from being an opportunistic exporter, we want to become a truly global motorcycle brand. So, all of this is emanating from that concept because we truly believe that there is a gap out there in the world of motorcycling in mid-sized market. And, therefore we strategically set up the infrastructure as you can see. For us, the infrastructure was about the right distribution, the right aftermarket support and we have very strong teams in markets around the world. So, we have our own teams across the world. We have very clear plans to become global leaders in the mid-size market, and to grow the mid-sized market, the same way we have done in India. So, in India also, from scratch we were able to grow the market, at least before COVID the market was around a million level, the size of the market and growing. So, that's really the track we are on. As you can see, the products that we launched have also been from the global perspective. The first truly global product in our portfolio were the Twins, which were developed, launched and the success has been really strong. The Himalayan also has been extremely strong and now, the Meteor 350, which in the old days people would say a 350 CC is not really relevant for international market. It is doing exceptionally well around the world. It was made with global market in mind. Doing absolutely, exceptionally well. So, we are extremely determined. I mean, our ambition is to be in fact, the first global consumer brand from India and we are on track towards that. And the results in the last quarter are a good glimpse into what we are planning in the future. There's a lot of new product as we talked about in our portfolio, we have done a lot of work on continually expanding our distribution and reach. Across the world, we are seeing that the best dealers around the world are now coming to us and wanting our business. Earlier we had to plead with the dealers to keep our bikes. Now, it is the other way around because they are seeing the traction of Royal Enfield around the world. It is a strong, virtuous cycle. We are able to take the advantage of our enormous scale and our scale is unparalleled in the motorcycle industry in the mid-sized market and our strong home market advantage, and able to have very strong product at the right price in markets around the world, and a very strong brand story. So, it is not just the commoditized product, it is the brand story that's also selling and that's also helping us get much higher margins, as you can see. So, this is certainly our future. I think Royal Enfield is going to be a global brand and we are working well towards that.



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You're right about asking about Asian and LATAM markets. Because even in our initial assumptions on the international markets, we said we want to make a lot of Southeast Asian and LATAM markets like our home market because there is a strong commuter base which are upgrading and that is absolutely on track. We are able to track the commuter market in these countries and have them upgrade like we had them do in India. So, we are very successful in that. Having said that, what has actually positively surprised us tremendously is the enormous traction we are getting in richer countries as well such as Europe, US, Japan, Australia, New Zealand and Korea. Because there is a huge amount of spending power in these countries. So, if something clicks, that means there is a motorcycle that catches your fancy \$4,000, \$5,000 or \$6,000 is really not much at all for consumers in these markets, to even do an impulse purchase as it were, I mean, maybe it is not as impulse but it is nearly like that. So that's the direction we are heading in, we are actually getting enormous traction in Europe and America as well, which is very positive for us. So yeah, the International business is really panning out strongly and we are seeing what it could be in the future, which is very exciting.

**Manoj Garg:**

Thanks for a very detailed answer. Secondly, Sid, just would like to understand your thought process for elevating Mr. Govind as Executive Director and CEO. While obviously, he has been in the company for a long time and he has done extremely well with regards to manufacturing and other functions. But as a CEO, obviously there are multiple other responsibilities, which one needs to take care and given that he doesn't come from the background of sales, marketing and other activities. How do you think he is getting into the shoes of Mr. Dasari and taking the company to the next level?

**Siddhartha Lal:**

Hopefully, you will have an occasion to talk to him also at some point, but Govind has one lesser-known fact as COO, for a few years he was also heading the India business for three years. So, we keep circulating and let's say, keep giving opportunities to people to develop and I did at one point, when I was the CEO, gave him the opportunity to run the India business for three years. So, he understands that. He's extremely methodical and detail-oriented and able to understand that. He's got an excellent rapport and relationship with dealers. He knows everyone in the company very well. He's travelled across the world meeting our distributors and team members. So, he has got a lot of exposure in that area. But even though he's from manufacturing, he was given the charge of product development when he became COO in 2013, and he has absolutely been instrumental in overhauling the product development of Royal Enfield, the new product introduction as well. So, he's able to take new tasks or new areas which are the bottlenecks in the company and take it to much higher levels. So, he has had experience in sales, marketing. He has a very strong team with him in sales marketing and I am also there to work with him and support him on the commercial



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areas, which I can also certainly support him. So, I do not see that as a challenge at all. In fact, I think it is a strong succession that we've been building, and it has come into place.

**Manoj Garg:**

Thanks, I wish you all the best and best wishes to Vinod.

**Vinod Dasari:**

Can I make a comment on one of the chat points that came up saying why I am so quiet? Have I given up or no? Absolutely not. I am going to be keenly watching this company, go from success to success. You know, in my short term, I've been able to contribute in whatever little way that I could. I don't want to talk about the future, it's up to Sid and Kaleesh and rest of the team to be talking about the future. So, since most of the questions are about the future, I'm staying out of it. If the question was about the last one quarter, I would have answered it. So, please don't take my silence as like I have given up. I still own shares of Eicher, and I will continue to expect them to perform better so that I can earn some money.

**Raghunandan:**

Thanks Vinod for that and wishing you all the best for the noble endeavors ahead. Next, we have a question from Chirag Shah. Chirag, please go ahead.

**Chirag Shah:**

Thanks for the opportunity and all the best Vinod. Siddhartha, one question I have is on the production side. So what level of production will give you comfort to start the new model cycle or the launches that you are planning, and which have got postponed? Is there a particular level of volume like 60,000 or 70,000 a month kind of visibility of production will give you confidence that we have the requisite supply in place to launch the model? Is there any kind of thought process in mind? Let me ask you other way around, what will give you comfort to start the model cycle tomorrow?

**Siddhartha Lal:**

Chirag, good question, but it's not about production level as such. As you can appreciate, there are two parts. One is when the factories were down, you can't really do much. When the shutters are down for the stores, there's no point in really launching the product, even if only half the shutters were down. So, the real question is, for a new product even the supplier may not be used to getting the requisite parts as, it is a new product at this point as it were, so it is easier to get the old product parts as it were, so the only thing Chirag, that we have been waiting on any new product is to get a requisite part available because all the validation work, everything that's, let's say is behind us, then it's only buildup of parts for the new products. And, once we have the right buildup of parts for the new product, so, we can not only supply the initial quantity to dealers to sell but also follow it up with quantities in the coming months. So, you don't want to be caught flat-footed that we don't have the old product, or we don't have the new product. So, it is a bit of that we are doing, but there's no level as such that it needs to be 50,000 or 80,000 units per month only then we will be ready. We can be ready at any point, that's not the constraint, the factor. But yes, by and large we are seeing



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now that things are starting to improve. So, we are on good track for any new launches that we have.

**Chirag Shah:** Yeah. This was really helpful. Second question is on the export market, especially Continental and Himalayan in the locations where you have presence since a reasonably long time. A brief about customer profiling and how it has expanded over a period of time, it would be helpful.

**Siddhartha Lal:** So, let's go back to few years. When our main stay was Classic 500, our customer was on an average over 50 years old and looking at a vintage replacement type of motorcycle. That profile has changed tremendously over the last many years. Of course, in developed countries you still have a slightly higher proportion of older motorcyclists, which is great. They have great disposable income, they are very interested in coming into new bikes, a lot of people who had ridden a sport bike in their 20s, 30s, now want to sort of take it a bit more easy, right? They want to have a nice upright bike. So that's certainly an audience in the 40s that we are getting. But of course, I'm still talking about developed countries. As you go into developing markets, we are getting large number of upgraders, like, we have in India. And there, the average ages are younger just because these are people who have been commuters, and now they want to upgrade to something more special. So, it is all working out in terms of relatively broad variety of customers. Himalayan is clearly a younger audience that we are selling to across the world compared to let's say Twins also. But it's a very good spread now that we have got.

**Chirag Shah:** Thank you and all the best.

**Siddhartha Lal:** Thanks, Chirag.

**Raghunandan:** Given the paucity of time, we come to the end of the call. On behalf of Emkay Global, we thank the management for the opportunity and request management for closing remarks.

**Siddhartha Lal:** Thank you very much. It has of course, as you know, been a tough year and a half for everybody. I just want to reiterate that at Royal Enfield and at Eicher Motors, we keep our ears very close to the ground. We are a super focused company. We don't do too many things. So, we have all our attention on our core business and on the entire value chain around it. So, we are able to put enormous managerial attention behind the smallest of issues and concerns. And that is really, I would say what we continue to do, which is to keep our ear to the ground and just keep moving forward. And, I would of course like to thank Vinod once again for his tremendous contributions to Royal Enfield. Like I have been saying as a pinch-hitter who's come in and showed us a very good direction at Royal Enfield and a good pace of working. I would like to thank him tremendously. And we will give him the opportunity to give the last remarks.



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**Vinod Dasari:** Thank you, Siddhartha, I appreciate that. I would like to thank all the participants on this call for all their support in all my corporate roles, and I hope that you don't need my services because I will be running a hospital or a healthcare initiative. So, if you are ever in Chennai, let me show you something that is truly close to my heart and with all your best wishes, I hope I can do much more service to the society. Thank you very much. And wish you all a safe and healthy year going ahead.

**Siddhartha Lal:** Thank you.

**Kaleeswaran Arunachalam:** Thank you. Thanks everyone.