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Scrip Code: HEROMOTOCO

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Sub: Transcript of Earnings Conference Call for the quarter ended December 31, 2024

Dear Sir(s),

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find attached the transcript of the earnings conference call held on February 07, 2025, for the quarter ended on December 31, 2024.

This is for your information and further dissemination.

Thanking You,

For Hero MotoCorp Limited

Dhiraj Kapoor
Company Secretary & Compliance Officer

Encl.: As above

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“Hero MotoCorp Q3 FY'25 Earnings Conference Call”

February 07, 2025



The Management Team represented by:



Mr. Niranjan Gupta
Chief Executive Officer



Mr. Vivek Anand
Chief Financial Officer



Mr. Ranjivjit Singh
Chief Business Officer – India BU



Mr. Swadesh Srivastava
Chief Business Officer- Emerging
Mobility BU

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

Analyst:

Mr. Aditya Jhavar - Investec Capital Services (India) Private Limited

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY25 Earnings Conference Call of Hero MotoCorp hosted by Investec Capital Services (India) Private Limited.

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

I now hand the conference over to Mr. Aditya Jhavar from Investec Capital Services. Thank you. And over to you, sir.

Aditya Jhavar: Yes, thank you, Steve. On behalf of Investec Capital, I would like to welcome everyone on Hero MotoCorp's Q3 FY25 Earnings Call.

I would like to thank the Management of Hero MotoCorp for giving us this opportunity to host the call. I would like to hand the call to Mr. Umang Khurana – Head of Investor Relations & Risk. Umang, over to you. Thank you.

Umang Khurana: Thank you so much for hosting us, Aditya and Investec. Hello and good day everyone. Welcome to Post Q3 FY25 Results Investor Call.

On the call with us today, we have Niranjana Gupta – CEO, Vivek Anand – CFO, Ranjivjit Singh – Chief Business Officer, India Business, Swadesh Srivastava – Chief Business Officer, Emerging Mobility Business Unit.

As you know, there have been changes in the company leadership. Consequently, we will also introduce you to the new Management members. We will begin the call as usual, Business Update from Niranjana, followed by Financial Update by Vivek. Niranjana, over to you.

Niranjana Gupta: Thank you, Umang. Greetings and welcome, everyone to our Earnings Call.

Our quarterly results, as you have seen, have once again displayed execution on our strategic priorities. In Q3, we gained market share in 95% of our portfolio with 125cc, EV and GB leading the pack. Our bottom-line profits were up 12% and the YTD nine months recorded highest ever revenue and profits once again. Our EBITDA per unit remarkably has crossed now ₹10,000 per unit, driven by premiumization, mix and judicious pricing, which augurs well as we expand our volume given the operating leverage it will generate.

Our strategy for 2030 with four growth pillars – ‘Grow the Core’, ‘Win in Premium’, ‘Build EV Leadership’ and ‘Diversify Revenue Streams’ and two operating pillars, ‘Future Fit Organization’ and ‘Lead ESG’ is in place now, powered by 4S mantra of Speed, Scale, Synergy and Simplification.

Our reshaping of portfolio, which started a couple of years back, continues with four launches at Bharat Mobility, setting the platform for future growth. The strong financial shape that we have achieved will allow us to aggressively invest behind these priorities as we scale our business through relentless execution.

Finally, I would like to thank all of you who have given me your trust, support and confidence over the last eight years and 32 earning calls and Vikram now will be taking over from me from 1st of May and I am sure you will provide same support to him moving forward. Vikram is going to take over from 1st of May. He has got a wealth of experience, as you would have seen from our release, almost 48 years in the auto industry across different segments and specially with Hero MotoCorp over two decades of experience covering Operations, Research & Development, Supply Chain, Global Product Planning and Engineering. He has been leading sustainable manufacturing effort as well, and he has actually been instrumental in being part and parcel of steering the journey of this company over the last two decades. I wish Mr. Vikram Kasbekar the best to steer this role going forward with his leadership and vision.

Over to you, Vikram, for a few words from you.

Vikram Kasbekar:

Yes. Thanks Niranjan. I would like to thank the board and the chairman for this opportunity. As you know from Niranjan, our strategy is very well laid out and to 'Grow the Core', 'Win in Premium' and 'Leadership in EV'. All strategies are as good as the execution and our focus now is going to be purely on execute and accelerate the execution strategy.

Product launches in premium, scooters and EV will support our growth. Thank you Niranjan for your leadership.

Niranjan Gupta:

Thank you, Vikram. With that, let me just ask Vivek for his opening remarks. Our CFO, Vivek, over to you.

Vivek Anand:

Yes thank you, Niranjan. Good morning and thank you all for joining the call today and wish you all a very Happy New Year.

I am pleased to report strong financial results for Hero MotoCorp for the 3rd Quarter FY'25. The company recorded quarterly revenue of ₹10,211 crores, growth of 5%. This is the third consecutive quarter the company has recorded quarterly revenue of ₹10,000 crores+. EBITDA stood at ₹1,476 crores, which is a growth of 8% and PAT at ₹1,203 crores, which is a growth of 12%.

The Company also reported its highest-ever quarterly revenue from parts, accessories and merchandise business at ₹1,555 crores, year-on-year growth of 9%. Our continued focus on cash management resulted in delivering strong Cash from Operations, strengthening our financial performance.

The EBITDA margins during the quarter for ICE business stood at 16%, driven by mix improvement, lower material cost and LEAP savings, while we continue to invest behind brand building and new businesses. During the quarter, after taking into account the investments behind EV business, ₹137 crores, the overall EBITDA margin improved by 50 basis to 14.5% year-on-year.

I am happy to share that the Company has declared an interim dividend of ₹100 per share.

Let me now talk about our Market Share performance and New Product Launches:

As per Vahan, our market share for the quarter expanded by 520 basis points quarter-on-quarter to 32.8%. We achieved our highest ever retail in the quarter of more than 2 million units. In motorcycles, we gained market share both on year-on-year and sequential basis. This was led by strong performance in the Deluxe 125 segment, where both Splendor and Xtreme 125R gained market share.

During the quarter, we launched multiple products across segments. Starting with the Premium portfolio, Xtream 250R launched at Bharat Mobility is the fastest 250cc motorcycle in its class, priced very attractively. The new Xpulse 210 with liquid-cooled engine is designed to enhance the comfort during daily commutes as well as off-road adventures.

Coming to EV, we launched the VIDA V2 Series, upgrading the V1 platform. We also launched VIDA V2 Lite, which is a sub-1 lakh product marking our entry into the fast growing mass EV scooters.

In Scooters, Destini Full Body change was launched in January, placing it well for the urban commuters. Hero's differential scooter range led by popular Xoom 110 will get two additional scooters, Xoom 125 - which is a large 14-inch wheel base will be the fastest scooter in the category, a liquid cooled engine will drive the 160cc Xoom scooter.

Moving ahead, we will continue our investments behind new products and segments. We remain consistent in our commitment towards investing behind the premium and EV portfolio and improved customer service in store with Hero 2.0 and Premia and online with investments behind digital and technology. We are positive about the growth prospects of two-wheeler industry, and with the continuity of demand and recovery in the broader two-wheeler markets for us both rural and urban ramp up of 125cc portfolio, new product launches and strong investment behind building power brands, we expect to grow ahead of the industry.

On that note, let me open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may Press “*” and “1” on their touch tone telephone. If you wish to remove yourself from the question queue, you may press “*” and “2”. Participants are requested to use handsets while

asking the questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Aryn Pirani from J.P. Morgan. Please go ahead.

Aryn Pirani:

Hi, thanks for the opportunity and also want to take the opportunity to wish Niranjana and the other senior management who are moving onto the different roles, all the best, and also to Mr. Kasbekar and the team who are taking on new role, all the best as well. Just on the quarter, two questions from my side. This quarter we have seen the parts revenues have a very strong growth and I think from a trend basis also it seems that the growth has been much stronger. So, is there a seasonality here because I think first half the growth was much weaker, 3rd Quarter we have seen an acceleration and that has also helped the margins, I am assuming. So, how should we think about this going forward?

Ranjivjit Singh:

Good morning. This is Ranjivjit here. Hi, Aryn. I will address your question in a minute. Let me just, as this is going to be my last interaction in this forum with you all, I just wanted to firstly thank you all for the engagement, the interaction, and I've had the privilege to lead the India business for almost four years in this iconic company. And in this time, we have developed and worked on the House of Strategy, the first pillar being 'Grow the Core' and we strengthened our position in the 100cc and the 125cc motorcycles, our new launches in scooters will further solidify our position. 'Win in Premium', we have developed our power brand strategy, we filled up our product portfolio with new launches and we have expanded our channel to Premium and also upgraded our Hero 2.0 - both the sales as well as the service team. And the question you asked on 'Diversified Revenue Streams', we have really grown our parts business profitably. And I will soon introduce you to Ashutosh Varma, who takes over the CBO mantle from me on 1st of May and he has been with the company for 15 years and we have a fantastic team and our channel partners are very, very excited to execute and take forward the House of Strategy and bring it to the kind of peak that we are expecting.

So, on the parts business, yes, we have had a sort of a banner kind of a seasonality here. It's part of the Q3 seasonality. We had talked about it in the previous quarter call also and Niranjana had in fact mentioned that it's just a question of seasonality. There are some additional lines of business that are coming in quite well, whether it's tyres, the battery, the oils business, all of that is contributing and there's a consistency in terms of how we execute, how we expand our distribution, how we extract more from there and also expand into rural. So, more and more, I believe, this is a seasonality and a strong business process that's taking it forward.

Niranjana Gupta:

Yes, as far as the profitability in the parts business has always continued to be strong as we know. So, we continue to be on a very strong wicket on the margins on the parts business.

Aryn Pirani:

Thanks for that. And just on one of the launches, I think the Xoom 160, I think obviously it's an interesting launch, I think it can expand, or create a category because there's nobody there, but there could be a demand given how we have seen 110 to 125 transition over the last four to five years and

the next step could be 160cc scooters. But it appear to me and I could be wrong that the pricing, it seems to be priced for profitability than category creation and market share gains. So, if you could just help us understand the pricing strategy for the Xoom 160 because, it's a new category and you are I guess the first big player who is getting into it?

Ranjivjit Singh: This is Ranjivjit here again, and I will ask Ashutosh to address this. Ashutosh, over to you.

Ashutosh Varma: Thank you, Ranjivjit. Good morning to all. I am really excited to take up this role and I look forward to interacting more and more with all of you. Thank you for that question. I mean just to point that out, if you look at the other players in this category, there is Yamaha, there is Aprilia that plays in this category. Yes, indeed, the category is not very big, but our goal is to price it competitively, and just because we offer so many features, the liquid cooled engine, 14-inch wheels, is the largest scooter in the category - we expect to grow the category substantially.

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

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

Jinesh Gandhi: Hi. My question pertains to the recent changes in the budget with respect to income tax savings. How does that influence our customers and any sense on what would be income profile of our customers, what would be the median income of our customers as such?

Vivek Anand: So, if you really look at our entry segment, right, especially 100 and 110cc segment two-wheelers, I think that the income levels typically range between 6 - 12 lakhs per annum, right. I think if I really talk about the budget, I think one of the things which the budget has done is to really provide tax relief to this middle segment of customers, which means that their disposable cash in hand will actually go up as we get into next year. And what we believe is that, that's almost to the tune of anybody who's earning close to 10 - 12 lakhs will have a positive cash impact of around ₹40,000 to ₹50,000 which will possibly take care of the EMI, which today he or she is paying for the two-wheeler. So, this should really help drive consumption for the two-wheeler sector.

Jinesh Gandhi: Got it. So, a broader range of ₹ 6-12 lakhs. Okay. Got it. And secondly, if I look at on the P&L side in 3rd Quarter, we have seen good savings in our cost of internal gross margin improvement on sequential basis. Is this largely because of lower investments on the EV business or there is something else to that?

Vivek Anand: So, can you just repeat your question?

Jinesh Gandhi: Sequentially, our RM cost has reduced by about 90 basis points in 3Q. Is it just a reflection of lower investments on the EV business? I think that is reduced by about 50-odd crores on sequential basis or is there anything else to this that from the slight improvement in mix on the spares side?

- Vivek Anand:** Okay. No, so you are right, absolutely. On a quarter-on-quarter basis, the material cost is almost flat, you are right. In the EV business, I talked about that during the quarter, we made an investment of ₹137 crores, which compared to the previous quarter is lower by 50 basis points. And the reason for that is it's because during the quarter the dispatches in Q3 were lower than in Q2 because of the transition we went through, right? But in terms of the investments we are making per unit, it remains the same.
- Jinesh Gandhi:** Okay. Okay. Got it. Got it. And lastly, similarly, if I look at the other expenses, again there has been a good increase, I believe part of it is due to seasonality, is there one-off in this?
- Vivek Anand:** You are right, it's largely to do with seasonality, there is no one-off in it.
- Jinesh Gandhi:** One more last question is on the EV range. V2 also would not be PLI compliant, right? So, how do we think about our PLI investment, which we are doing and by when we'll be launching our PLI compliant portfolio?
- Swadesh Srivastava:** Hi, Jinesh, this is Swadesh. Thanks for the question. Yes, so our V2 portfolio is also going to get into PLI compliant very soon. We are filing the papers around that. And in the next fiscal, you'll see the whole portfolio coming into the PLI compliance. So, we are in advanced stages of that.
- Jinesh Gandhi:** Great. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** Hi, good morning sir. Thanks for the opportunity. Sir, a couple of follow-ups on the topics that were discussed. One, on the tax break, if you could give a breakdown of the profile of the consumers maybe for the industry or for Hero MotoCorp whatever you have in terms of the occupation, how much is the rural mix, how many are salaried customers and how many are business or SME kind of customers, whichever way you build the profile, is there anything available like that?
- Vivek Anand:** So, Kapil, first of all, thanks for the question. We will share that separately with you, yes.
- Kapil Singh:** Okay. Second, I had a question on demand. We notice that till festive period, the demand for the industry was pretty buoyant, and in the last couple of months, things seem to be slow. So, just wanted your assessment of the demand conditions and also the financing conditions?
- Ashutosh Varma:** Yes. Thanks, Kapil for the question. As we move into Q4 and with the wedding season that's coming up and the festives that kind of kick in from March onwards, we expect that the industry will just keep on improving from here. Yes, of course, the festive was really good and it probably sucked up some demand from the forthcoming months, but we are seeing good traction as we move into February and then possibly into March as well.

- Kapil Singh:** Okay. And sir, just one follow up was there on VIDA as well? We have come out with a more attractively priced product. Can you comment how much of that is coming because we have been able to reduce costs, how we have been able to do that and will the V2 profitability be better given the price reductions that we have done, some color on whether it's gross margin positive or something like that?
- Swadesh Srivastava:** Hi, thanks for the question. Yes, you're right. The V2 range is a better platform, better performance, slightly different look, the dealers and the customers are really taking on to it and we continue to improve our cost structures, not just from one model launch to another model launch but within the launched vehicles. So, we will continue to work on it and you'll see that we will obviously share our profitability milestones as we start hitting them. But that's an ongoing effort, and even with the new launches which will happen in the coming months, they will be even better cost structures from now.
- Vivek Anand:** Kapil, I just want to supplement. I think clearly in EV, our priority is to really scale up and continue to invest in product and pricing. Having said that, we are continuously working towards optimizing our BOM cost through localization and PLI benefit realization. So, I thought I will just add to what Swadesh said.
- Kapil Singh:** Thanks sir. So, PLI initially your intent will be to build penetration, that's how you would think about PLI benefits, right?
- Swadesh Srivastava:** So, as Vivek also said, we want to make sure that we are competitive in the market, but that doesn't mean that we're going to leave profitability out of the table. So, as I mentioned earlier to a different question, we are in advanced stages of getting our PLI and you'll hear about it in the coming months, not just on one or two models, but beyond that.
- Kapil Singh:** Okay. Thank you sir. Thanks a lot.
- Moderator:** The next question is from the line of Gunjan from Bank of America. Please go ahead.
- Gunjan Prithyani:** Hi, thanks for taking my question. I just wanted to continue on this EV business. You all made this announcement of transitioning the EMBU as a separate entity from Feb 1 onwards. So, just trying to understand the rationale here and does that mean that whatever we sell on EVs incrementally is going to be accounted outside of standalone? What does this restructuring mean? And I am also going back to a comment you made earlier that that we were going through a transition and hence investments in EVs are lower. Is it to do with this restructuring, if you can just clarify?
- Swadesh Srivastava:** Hi, thanks for the question, Gunjan. So, EMBU has been a separate BU over the last few years. We do see that our strategic pillar being 'Build EV Leadership' will require further acceleration and further focus and further innovation, and hence there is a concerted effort of bringing more synergy and bringing more focus and dedication on the EV innovation and product development. That's what it is going to be. And I will let Vivek answer on the reporting side, but just on the third part of your

question, we were going through the transition from V1 to V2 in the last one and a half months and hence you might have seen some lower dispatches. But as we said, the intent is not to lower the investment. We have filled the pipeline in the market and you'll start seeing much better market share starting this month, because now the channel is full of V2.

Vivek Anand: Yes. So, just to add to what Swadesh said, so, see, EV is already a separate business unit, we are not really talking about having a new entity. So, it will be part of standalone.

Gunjan Prithyani: Okay. No accounting change as such. You're just sort of clubbing a few other businesses like I see CITs there, etc., Just all of them cohesively working towards EVs, that's the intent, not any accounting change?

Vivek Anand: So, it's largely driven by synergy and to really have better execution, yes.

Gunjan Prithyani: V1 to V2, are there any material cost improvement that are worth calling like the BOM cost went down by whatever percentage, is there something that you can share insights on?

Swadesh Srivastava: So, as I was mentioning earlier, we continue to improve the BOM cost structure and localization on the existing models and we make it a point that when we have new launches, they take benefit of that continuous growth. So, in V2 also, there are those changes, there are certain hardware changes optimization we have done which has led to BOM cost reduction. We don't share those numbers, but we continue to work on reducing the BOM cost and we do have them as well.

Gunjan Prithyani: Okay. Got it. My second question is on the OBD-II. If you can share how we should think about it going into Q1 both in terms of the stock management, do we really need to destock and then restock with OBD-II and what is the cost on the portfolio or increase on the portfolio that we may see on back of this?

Vikram Kasbekar: We are on track as far as OBD-II Phase-B is concerned. This is slightly different from the earlier one, in the sense that we can manufacture up to the 31st March and thereafter it can be sold also in the market. But OBD-II Phase-B we have to necessarily manufacture from 1st of April. But we are right on track and we will be converting our entire folio well before the deadline is there. As far as the price is concerned, there's going to be a marginal price increase of 1% - 2% because of the additional hardware that would be installed in the products and that would be valid across the industry. It's basically lower because it's already in FI system.

Gunjan Prithyani: Got it. And if you can share the Hero FinCorp, whatever you can share from a business fundamentals perspective, where are the operating metrics, because we keep hearing delinquencies and asset quality deteriorating with some of the other NBFCs on two-wheeler lending, so if you can share some comments on that please?

Vivek Anand: Yes. So, first of all on HFCL Q3, the loan book size is ₹55,500 which is an increase of 13% versus last year, right. So, business continues to grow. Yes, during the quarter and for the last two, three quarters, we have seen lower collection efficiency especially in the personal loan categories. As a result of that, the credit cost has moved up by almost 150 basis points. And that's a trend we are seeing across NBFCs. So, the focus now for HFCL team is to really focus on collections and we are seeing improving trends in collection specially in the month of December and January and with more focus on customer credit, we expect the profitability which got impacted this quarter should improve going forward.

Gunjan Prithyani: Okay. Got it. Thank you so much.

Moderator: The next question is from the line of Kumar Rakesh from BNP. Please go ahead.

Kumar Rakesh: Hi, good morning. Thank you for taking my question. My first question was a continuation on the Hero FinCorp performance. So, you reported a loss in this quarter, and you spoke about that the credit cost has also inched up. So, where the credit cost currently is sitting, it now more than 7% for you? And also how is the funding cost trending for you?

Vivek Anand: Broadly, I can tell you the credit cost is currently close to 6%, right. But more details if you want, we can certainly share offline with you.

Kumar Rakesh: And funding costs for the business, how is that trending, is it still going up?

Vivek Anand: Yes. So, that's what I said. We'll certainly be happy to engage separately and share the details with you.

Kumar Rakesh: Got it. My second question was on your EV strategy - more a little from medium to longer term perspective. So, what is it that you're targeting with the EV business, are there any milestones that you are looking for that, say you want to be the top three EV companies or do you want to be a niche player and get to profitability first in the industry, or any of those longer term milestones that we can hinge you against, that what exactly is our strategy here in the EV business?

Swadesh Srivastava: Hi. Yes. Thanks for the question. It's very clearly mentioned in our House of Strategy that we are geared to build EV leadership and we're not saying we'll build EV leadership many years from now, which is in the near future. And that will require work on both aggressively positioning our products in each segment, and you have seen product portfolio expansion this year, you'll see much more coming especially on the affordable segment, you will see some other use cases also being addressed with our new product being launched in the next fiscal. We have done huge geographical expansion. Obviously, we're really building the brand out, we have taken the responsibility to build the charging infrastructure. So, all of these efforts are being put in place to really own the category, right. As I said earlier, while we are doing it, we are not going to take our eyes off the profitability but segment-

by-segment, we will play to win, and it might require different levers to be pulled. So, we will continue to work on both.

Kumar Rakesh: But as a market positioning of your EV products, so what is the aspiration here, do we want to be present in all the markets? Do we want to be a niche player? That's what I am trying to understand here is, that we have created a separate brand VIDA. It's been more than 1 - 1.5 years now and the market share we haven't seen something which Hero would want to have in that segment. How should we look at the aspiration or the target that you are chasing?

Niranjan Gupta: The way we are driving VIDA brand is on 3As which is 'Accessible, Affordable and Aspirational'. And as far as if you look at our market share, we are not present nationally. So, in fact, if you look at our play area, below ₹1 lakh market, 60% of the market where we are not present, where we have just launched our product through our VIDA V2 that we that we launched into that recently, just a month back. So, you will see that playing out. We're not really 60% of the market. If you see the play area and where we play, a lot of towns actually we are exceeding now 20% market share and many a 10% market share. So, I think it will not be right to look at an overall market share of 5% nationally given the price segment wise we are not present, in 60% of the market and geography wise, we are not present in half of the market. So, as we expand our retail distribution to cover more and more through Hero 2.0 stores and expand our portfolio to cover all the price segments, we are confident of winning in this.

Kumar Rakesh: Thanks, Niranjan for this. That's why I was asking more from medium term perspective. Today's market share I understand is not reflective of the potential. Absolutely agree. Just one final clarification on the margin side. You spoke about the ICE margin is about 16% in the quarter. So, there's a quarter-on-quarter decline of about 50 basis points despite the higher spare part revenue contribution this quarter sequentially. So, what drove that 50-basis points margin contraction in ICE?

Vivek Anand: Yes, because this quarter there was higher spends because of the festive, right. So, we had higher support on marketing and advertisement spends on our power brands. And I think that was the reason why there was a contraction.

Kumar Rakesh: Got it. Then it should reverse in the coming quarters.

Vivek Anand: That's right. That's right. It's more specific to this quarter.

Kumar Rakesh: Perfect. Thanks a lot for taking my question.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

Mumuksh Mandlesha: Thank you sir, for the opportunity. And nice to see the new Hero website. Sir, firstly, can you help us understand plans to revive the HF Deluxe brand on the 100cc portfolio? And also, I have seen that

recently there has been changes made in the pricing. Just want to understand over medium term, what's the plan for to revive this brand, sir?

Ashutosh Varma: Hi, Ashutosh here. In this category, the entire 100cc, we are the market leaders. And hence, not only do we have to ensure our market share, but also we have a responsibility to grow the category, which is what we would be trying as a part of our strategy. We know that for this segment, affordability is the major anchor on which we need to work. So we work on a host of solutions, financing solutions. We also want to augment the value proposition of the current motorcycles that we have in this sector. We also are working to improve the penetration levels in the under-penetrated areas. And there are a host of ongoing actions that we will continue to do. As I said, all coupled together, the larger goal is to grow the category.

Mumuksh Mandlesha: Got it, sir. Sir, on the Harley-Davidson partnership, you recently mentioned about the extended partnership and plan to launch a new motorcycle. Just can you share what are the plans on the product portfolio there? And also, just want to understand, are there any export opportunities where we can leverage the global Harley-Davidson network for the X440 brand?

Ravi Avalur: So, the product is based on existing products, which is the first answer to your question.

Umang Khurana: Ravi Avalur.

Ravi Avalur: Sorry, Ravi Avalur. I head the Harley Davidson business unit. So, the current products planned are both based on the existing product, which is the 440 platform and also an entirely new product of which we will reveal details in time.

Mumuksh Mandlesha: So, it would be a new engine CC platform, sir?

Ravi Avalur: I would say it's a new platform. That's all I can say.

Mumuksh Mandlesha: And any export opportunity for the brand, sir?

Ravi Avalur: The product is for domestic and international, eventually.

Mumuksh Mandlesha: Okay. Got it, sir. Yes, that's all from myself. Thank you so much for this, sir.

Ravi Avalur: Thank you.

Moderator: The next question is from the line of Amit Hiranandani from Phillip Capital. Please go ahead.

Amit Hiranandani: Yes, congrats team for a good set of numbers and reporting good EBITDA. Sir, my two question is if you can give some color on how the rural and urban grew in Quarter 3 and outlook for the same for next fiscal? Secondly, according to your evaluation, what product gaps have you identified? And additionally, do you have any intentions to enter into the electric three wheeler?

Niranjan Gupta: I will let Ashutosh answer the first question on rural and urban and then we will take up the next one.

Ashutosh Varma: Yes, hi, Amit. In Quarter 3, we did see a big spike in the rural demand. The contribution of rural went up almost by 3%, as we saw in the festive season. We expect the momentum to continue going forward in the next financial year as well. We know that there are a host of government measures that are coming in to improve the rural sentiment, and we expect to benefit from that. And of course, there will be spikes on occasions which we expect to continue.

Niranjan Gupta: As far as the next question is concerned, as part of our 'Diversify Revenue Streams' pillar of the House of Strategy, we will continue to evaluate any adjacent segment which makes sense for us and where we have a right to win and opportunity to grow.

Amit Hiranandani: Any gaps within motorcycle and scooter segment?

Niranjan Gupta: Not getting the question.

Umang Khurana: Amit, is your question whether we are considering non two-wheeler segments? Is that what you had asked earlier?

Amit Hiranandani: Within two-wheelers, any product gaps?

Umang Khurana: Product gaps in the two-wheeler segment.

Niranjan Gupta: As far as the two-wheeler segment is concerned, as you know, we have reshaped our portfolio very strongly over the last couple of years. And therefore, and more coming, if you look at our premium portfolio, probably stronger than ever. Our Entry and Deluxe portfolio is already strong. Our EV portfolio is expanding into below 1 lakh price segment. So, broadly speaking, if you look at it, the portfolio is in the right shape. And beyond this, it will be more about executing and scaling up.

Amit Hiranandani: Right. All the best sir. Thank you so much.

Moderator: The next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Yes, thanks a lot for the opportunity. Before I go ahead with my questions, congratulations and wish Niranjan and Ranjivjit Singh all the best for the future endeavor. It was great interacting with you guys and look forward to hearing from you, and Niranjan particularly, soon.

With that, I will just move on to the first question, sir. It's been pretty categorical that rural has done much better than urban for the last year or so across every category. But what surprises me is that despite that, motorcycle as a category is losing category share at the industry level. Scooters plus Moped is already 37%+ as per SIAM data, excluding some of the EV manufacturers. If you include them, the scooter format or the non-motorcycle format has breached the 40% mark, right. So, what is happening? Is there a tectonic shift in terms of the customer preference in the rural urban market

or the semi-urban rural market, which is putting pressure on our growth because we are down on market share in a year when rural demand has done very, very well. Ideally, we should have gained market share and particularly with all the new launches.

So, what are you seeing on the ground? And what can we do to further double down on the non-motorcycle categories? Because we have the portfolio, we have the launches, Xtreme has been a great hit, but we haven't had the desired result in terms of market share, especially on the Scooter side and the EV side. So, if you can just help us understand what's happening here and what is the course correction, what Hero can do in the next year or so.

Ranjivjit Singh:

Yes, again, this is Ranjivjit here. Thanks for the question, Pramod. What we have seen over the festival and we have been sharing our thoughts with you in terms of how there has been a contraction in the overall 100cc segment led with Entry. And our job as the market leaders is to expand. And that's what Ashutosh also talked about, Grow the Category.

Now, the unlock really is in terms of addressing, not only the symptom of affordability, but also getting the penetration up, getting people to understand the benefits of using the motorcycle and how it really helps them.

So, our programs around rural, around the simplified financing that we have put into place with, you know the financing programs that we have, and expanding that to our secondary networks and the rural networks is really what is a big lever that we are seeing, and we have seen that in action in the festival, and we see that going forward as we get more marriage dates, as we get more festivals in Q4. So, this is a program that we are on in terms of expanding the market and growing the category. So, that's broadly the thing. As far as non-motorcycle is concerned, we are very, very happy about the new launches that we have announced in Bharat Mobility for scooters. Destini FBC is getting a very good response. The initial dispatches have already taken place. There is excitement all across. And soon we will be dispatching the Xoom 125 and the Xoom 160. All of these are going to become really the fuel to increase our presence in these kind of markets. So, I think overall we are in a good shape on our strategy and execution.

Pramod Kumar:

So, if I understood you right, you are not seeing any structural shift or change in the consumer preference away from motorcycles towards scooters, EVs and the non-motorcycle format. You don't see that, because the numbers clearly show that very clearly.

Ranjivjit Singh:

Yes, absolutely. There is no structural kind of changes that we are seeing. It's a question of how we as leaders are also coming in, as I have described to you in quite detail.

Pramod Kumar:

Okay, fair enough. And on the EV side, sir, I understand there is a transition happening, but volumes have kind of collapsed after Diwali. So, is that a production issue which we are facing? Or what exactly is driving it? Because volumes are just capsulated, right? And not having the presence in the marketplace as a brand over a period of time does start hurting the customer perception, right? The

more you see it on the road, it drives positivity in its own, right for the consumer. So, how do you see the volume ramping up in the near to medium term on the VIDA, sir?

Swadesh Srivastava: Yes, we can chat at the end of this month, and you will see that. As I mentioned that during the transition, we were just handling the pipeline so that the best product is available at the dealer front. That has already happened. And in the last few weeks, the channel is already full. And we are already seeing the daily sales throughput going back to what it used to be. And from here on, we will only accelerate. So that will reflect in the market share by the end of Feb and that too by the end of March. So, our outlook remains the same, what we had thought at exit March.

Niranjan Gupta: And Pramod, as I explained earlier, on the medium-term outlook about the towns that we are hitting 20% market share, the towns that we are hitting 10% market share, the portfolio gap that existed, which has got just now filled up. So that augurs well because that's a clear indication of what market shares we can get. And the recent that you saw the dispatch shortfalls were on account of transitioning from one model to the other. And that transition is complete now. And therefore, you will see moving forward the volumes taking up.

Pramod Kumar: Sounds great, sir. Thanks a lot, and wish you all the best. Thank you.

Niranjan Gupta: Thank you, Pramod.

Moderator: The next question is from the line of Sakshat from ICICI Prudential. Please go ahead.

Sakshat: Yes, hi. Thanks for the opportunity, and congratulations on good set of numbers. Sir, just one clarification on the OBD-II Phase 2 norms. You said that the price hike we will take because we are already on FI system would be 1 to 2%, right?

Vikram Kasbekar: Right.

Sakshat: And what would it be for, let's say, someone who is still on carburetor engines?

Vikram Kasbekar: You said carburetor?

Sakshat: Yes.

Umang Khurana: No, all our products have already moved to FI, and therefore, Sakshat, the impact on us will be limited, as Mr. Kasbekar mentioned, to 1-2%. We don't have any carbs left, and therefore.

Sakshat: One of our competitors would be still using carburetor. So, I wanted to...

Vikram Kasbekar: No, let me explain. For OBD-II Phase B, Carb will not work. That's for sure. I don't know if somebody is saying that. That's surprising. But yes, for exports and EV markets, some countries do require carb, which will continue making.

- Sakshat:** Okay. So, let's say someone who is still based on carb, how much can it affect them in terms of price or cost?
- Vikram Kasbekar:** Yes, it would be slightly higher for them who are converting from Carb to FI.
- Niranjan Gupta:** But we would refrain from commenting on the portfolio of our competition.
- Sakshat:** Okay, fair enough. And sir, one more question from my side, on the industry demand, like you mentioned there are marriage dates, so you expect some revivals. But let's say next year, in terms of you are expecting high single-digit volume growth, do you want to provide any guidance for next year? Like, what volume growth are you expecting for yourself and for the industry as well?
- Vivek Anand:** See, this year, Vivek here, this year the guidance we have given for double-digit revenue growth. Looking at our first nine months performance and looking at how this quarter has started, we believe that will be a repeat next year, a double-digit revenue growth for next year.
- Sakshat:** Got it. Great. Thank you so much, sir, and all the best.
- Moderator:** Thank you. The next question is from the line of Aryn Pirani from JP Morgan. Please go ahead.
- Aryn Pirani:** Yes, hi. Thanks for the opportunity again. I just wanted to go back to the discussion around lending and to some extent Hero FinCorp. You mentioned that there were some steps on the personal loan book. But is personal loan a very large proportion of Hero FinCorp? And how much will be the auto book size for Hero FinCorp, if you can share that?
- Niranjan Gupta:** Aryn, given that it's an associate company, we will refrain from making detailed comments on their portfolio and the business as of now. But of course, offline, we can get a call scheduled with their team with you.
- Aryn Pirani:** So, just as a follow-up, in general, outside of Hero FinCorp, from third-party lenders, have you seen any pullback? Because I am guessing a lot of them have also been talking about, you know, stress, not just in personal loan, but also, you know, on the two-wheeler loan book. So, are you seeing some pullback from their side? Or do you continue to see willingness to lend and availability of finance not being a challenge?
- Niranjan Gupta:** There hasn't been a pullback on the willingness to lend, but certainly in terms of the collections, I think most of the NBFCs who serve the bottom of the pyramid in some parts of it are having a little bit of uptick on the delinquencies.
- Aryn Pirani:** Okay, understood. Thank you.
- Moderator:** Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Niranjan Gupta:

Yes. So, as you have seen, I will just recap a few of the highlights of the quarter before I sign off. And clearly, as you saw, consistently we are delivering now more than ₹10,000 crores of revenue quarterly. We have registered on a year-to-date basis almost 10% revenue growth. We have clocked 20% PAT growth on a year-to-date basis. Our quarterly double-digit PAT growth, again, highest-ever revenue and the profits that we are talking about. 95% of our portfolio has started recovering market share. Our retail shares, which is Vahan, are higher than our dispatch market shares.

And when you look at our portfolio, with multiple launches across segments, the portfolio has got enhanced and much better shape for us to grow in future. We started focusing on executing as per our strategic pillars in terms of growing the category, which is called the Entry. And you saw some of the actions that Ranjivjit and Ashutosh talked about. 125cc, we have gained remarkably well from a 13% share in Quarter 4 of the last fiscal. We are now comfortably above 20% and the journey will continue on that.

On the Premium, as you see, our portfolio is stronger. We have a 5P framework to actually now start scaling up the premium business. On EV, we have expanded the portfolio below 1 lakh segment. And geographically, we are expanding to more stores as we are upgrading the Hero 2.0 stores, which also we have accelerated, where we have clocked now almost 700 2.0 stores in less than 700 days, at the speed of more than one store a day.

Our Premia stores continue, which has crossed 60. It will cross 100 soon, it will continue on that path, which will further boost our presence in the premium segment and our Global Business, which allows us to reduce our geographical concentration, that has started firing well with the first nine months growing twice that of industry at 40% growth. And we continue to be stronger and stronger on the Parts, Accessories, and Merchandise business, which has clocked the highest revenue. And that journey continues with even more potential on the accessories and merchandise.

And that's not all. As we said, that there are six pillars to the strategy. And the last and not the least is 'Lead ESG'. And which is where you saw us getting into the DJSI World Index, which is the only Indian two-wheeler amongst the top auto companies. And we are among the top four auto companies globally. So, we are conscious of our responsibility to lead by being conscious of the ESG.

Overall, if you look at it, we now have a very clear strategy for 2030 called our House of Strategy, which was prepared last year, signed off with clear focus, choices, and priorities. Our portfolio, especially in Premium, is stronger than ever now. And Global Business has started firing as well. Our recent expansion of EV portfolio places us below the 1 lakh segment positions as well. And therefore, it augurs well for our journey moving forward. And recent indications of many towns where you have crossed 20% market share is an indicator of the medium-term potential of the portfolio.

What's more, our financial shape is stronger than ever with EBITDA margin crossing ₹10,000 per unit. It allows for accelerated investment behind the strategic priorities I just talked about and hence, therefore, more accelerated execution that you heard from Vikram.

Once again, I would like to thank all of you for the immense support that you provided to me and the team over these years, and I am sure that you will continue to do that to the leadership led by Vikram. Thank you all.

Ranjivjit Singh:

I would like to thank everyone here. This is Ranjivjit here. It was absolutely fantastic to engage and interact with you. Great insights. I look forward to catching up in the future. But thank you so much for this.

Umang Khurana:

Thank you, everyone. We look forward to having an Investor Day. We will come back to you shortly, with all the leadership together to talk more about this as well. Have a wonderful day. Bye-bye for now.

Niranjan Gupta:

Thank you.

Moderator:

On behalf of Investec Capital Services (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.