www.eichermotors.com

May 19, 2022

**Online intimation/submission**

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

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

**Subject**: **Regulation 30 of the SEBI (LODR) Regulations, 2015 – Transcript of conference call**

Dear Sir/Madam,

Further to our letter dated May 5, 2022 intimating the schedule of the conference call held on Friday, May 13, 2022, please find attached transcript of the aforesaid conference call, held *inter alia* to discuss financial results for the fourth quarter and financial year ended March 31, 2022, pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company www.eichermotors.com.

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

You are requested to take the same on your records.

Thanking you,
For **Eicher Motors Limited**

KALEESWARAN ARUNACHALAM
Digitally signed by KALEESWARAN ARUNACHALAM
Date: 2022.05.19 16:47:47 +05'30'

**Kaleeswaran Arunachalam**
**Chief Financial Officer**

**Encl: a.a.**

"Eicher Motors Limited
Q4 FY22 Earnings Conference Call"

May 13, 2022

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| **MANAGEMENT:** | **MR. SIDDHARTHA LAL – MANAGING DIRECTOR – EICHER MOTORS LIMITED**<br>**MR. VINOD AGGARWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER VE COMMERCIAL VEHICLES LIMITED**<br>**MR. B GOVINDARAJAN – CHIEF EXECUTIVE OFFICER ROYAL ENFIELD LIMITED AND WHOLE TIME DIRECTOR**<br>**MR. KALEESWARAN ARUNACHALAM – CHIEF FINANCIAL OFFICER – EICHER MOTORS LIMITED** |
| **COORDINATOR:** | **MR. RAGHUNANDAN, RESEARCH ANALYST – EMKAY GLOBAL** |

**Raghunandan**: Good evening, everyone! On behalf of Emkay Global Financial Services, I welcome you all for Q4 and FY22 Results Conference call of Eicher Motors. We thank the management for giving us the opportunity. The management team is represented by Mr. Siddhartha Lal, MD & CEO, of Eicher Motors Ltd; Mr. Vinod Aggarwal, MD & CEO of VE Commercial Vehicles Ltd; Mr. B Govindarajan, CEO of Royal Enfield and Whole time Director and Mr. Kaleeswaran Arunachalam, CFO of Eicher Motors Ltd. We request management for opening remarks, which can be followed by Q&A session. Over to you, Siddhartha sir.

**Siddhartha Lal:** Hello and good evening, everyone. I hope you are all doing well, and welcome to Eicher Motors Ltd Earnings call for the Quarter ended March 31st, 2022, and for the financial year 2021-22. The year that has gone by was extremely significant for Eicher Motors Ltd as we have registered considerable progress towards our long-term goals and vison, despite numerous headwinds through the year.

Since we began, expanding our business into international markets, six-eight years ago, it has been our ambition to sustainably grow our overseas presence and to become a premium, global consumer brand from India. This year, we made really strong progress towards unlocking newer opportunities in these markets, led by expansion of our international footprint and commencement of operations in key markets. And all of this contributed to a stellar growth of 108% year-on-year in our international markets.

We have also added two new local assembly units this year in Colombia and in Thailand, which are very important markets for us. In India, we continue to define the middleweight segment , and we performed consistently as compared to the industry, despite enormous supply chain challenges stemming largely from shortage of semiconductor chips, even though there were lots of other supply chain challenges last year, including huge inflation and unavailability of other commodities as well. In FY22, while our overall market share remains steady at around 5.8%, we closed and we closed Q4Q4 with over 7% market share, and that is the overall motorcycle industry in India. So, of all motorcycles sold, we were 7%. And it increased to 28.7% i.e., a 2.8% increase in market share in all motorcycles, 125cc and above. So, in the last quarter, the above 125cc market share was above 30%, the above 125cc market share. So, basically, one out of every three motorcycles sold above 125cc cc in India is a Royal Enfield, and we are not even present in below 250cc. So, above 125 .

And of course, despite enormous number of manufacturers and new models coming into the above 250cc space. We continue to dominate that with around 90% market share in the above 250cc space, despite all the global and Indian manufacturers entering into that space in a big way in the last many years. Since its launch in 2008, the Royal Enfield Classic, as you all know, has become the most popular motorcycle within our portfolio. And this year, we achieved a critical milestone with the transition of the Classic, to the all-new J-Series platform. We Launched across all our global markets, and the new motorcycle has received absolutely amazing reviews from experts and the riding community across the world. This was one of the biggest challenges of the last decade for Royal Enfield to switch over from a running platform where we had our most important motorcycle to switch it over, and it is absolutely amazing motorcycle, and the switchover we were able to do. And despite all the challenges of supply chain, we were still able to get the production and everything else going. So, it has been an enormous change management and now we are in a really, really solid footing going forward.

Also creating niche riding cultures and subcategories has been a key focus for us. With the Himalayan, we were able to build a unique subculture of accessible adventure touring across the communities. And we cemented that proposition in an effort to build inroads in the adventure category, in order to do that, we launched the Scram 411, which is our first adventure tourer, crossover motorcycle. We have launched that this year or just a few months ago. Scram also received a great response from consumers, and we are now taking this to international markets as well.

On the commercial vehicles front, the domestic commercial vehicle segment charted a sharp recovery in FY22, and VECV clocked at 38% YoY growth in volumes. We successfully launched a wide range of Eicher Trucks and Buses and variants for India and export markets.

We established the brand-new Volvo FM and FMX truck range and delivered the first synergies from the successful integration of Volvo buses that we bought recently from Volvo Group into VECV. We maintained our market share of around 30% in Light and Medium and duty tuck segments, and 7% in Heavy duty trucks. And continue to retain profitability and the only profitable commercial vehicle company last year, as you all would know. So that is also a big feather in our cap and a testament to our management and to our business model that we are able to accomplish profitability when all our big competitors are making losses.

The Board of Directors of Eicher Motors Limited at the meeting held earlier today, declared a final dividend of Rs.21 per share for the year 2021-22, implying a payout sum of Rs.574 crores. As we move forward, we are committed to align the next stage of our growth with a renewed and much stronger ESG vision that we have. With the disruptive effects of the pandemic receding and a very strong product pipeline and distribution in place, we are confident to push forward on our strategic plans and long-term product and business objectives.

Now moving to financials for the Q4 and the Financial year. Consolidated financials for the Quarter and the Financial year ended March 2021. We had the highest-ever quarterly revenue in Q4 Rs.3,193 crores, up 8.6% from Rs.2,940 crores last year. For the whole year, we had our highest-ever annual revenue at Rs.10,298 crores, up 18.1% from last year. Our EBITDA for Q4 was at Rs.757 crores up 19.3% from last year same quarter. And for the full year, we had Rs.2,172 crores up 22% from whole of last year.

Our EBITDA margin has also climbed up. So, for the quarter, it is 23.7% against 21.6% last year, which is a 2.1% YoY increase, despite the 10% drop in volume from last year. For financial year, our EBITDA is at 21.1% against 20.4%, last year. Overall, our Profit After Tax for Q4 is Rs.610 crores, up 16%. For the full year, it is at Rs.1,677 crores, up 24.5%. So that is all from me. Thank you very much. I will now hand over to Govindarajan, who is the new CEO of Royal Enfield. Congratulations Govind on the new position. I am sure you will do an outstanding job considering you have been here for 23 years and been doing an outstanding job for all these years. So, looking forward to your leadership and running of Royal Enfield, , and over to you.

**B Govindarajan:** Thank you Siddhartha. Hi everyone. Hope everyone of you are doing well. At Royal Enfield, we are strongly committed to and remain steadfast on our long-term goals. This year, we registered our highest-ever annual revenues, backed by the efforts made over the last six years across the business. We registered significant growth in overseas market with about 108% growth in sales numbers and about 105% growth on the revenue term. This marked by an improvement in the non-motorcycle business with a 45% increase in the sales YoY.

Now, let me share with you some of the key highlights for Q4 of the financial year 2021-22, and full year 2021-22. Let me just begin with the sales volume for Q4., Royal Enfield sold 1,82,125 motorcycles, which is down by about 10.4% from 2,03,343 last year. Notwithstanding the constraints around the supply chain because of the semiconductor chips, we steadily improved our performance, which is about +8.6%, supported by an onboarding of alternate suppliers, that entire ecosystem, which has been brought in to minimize the impact of the shortages.

Our demand has continued to stay resilient, further aided by the launch of Scram 411, as Siddhartha was mentioning. Scram 411, which has received an excellent customer response in India. While our volumes remained 15.5% below Q4, we have increased our market share in the motorcycle segment of more than 125cc engine by 5% to 32.9% as compared to 28.1% in Q4 FY21. For the full year FY22, total sales to those 5,95,474 motorcycles, down by 2.3%, almost same like last year. We had lot of challenges in the supply chain on the production front. But as I mentioned, the demand for our motorcycles remains very resilient. Our market share in the motorcycle segment of more than 125cc engine increased by about 2.8% to 28.7% in the full year. Our international market, as I mentioned, we continue to have a strong growth momentum. We registered the highest-ever quarterly sale in Q4, we sold 21,787 motorcycles, which is double almost compared to the previous year, which is almost a growth of 59.2%. For the full year, the international business volume has doubled to about 74,238 motorcycles versus 35,700 motorcycles. Every market where we have entered, we have seen tremendous growth, especially in Europe, we have achieved about 7% market share in the mid-sized motorcycles. In America, we have achieved about 5% market share and in the APAC region, we have crossed 7% market share in the mid-sized segments.

In all the markets where we are entering, we are steadily seeing the growth outside India, too. This is backed by the network expansion and firming up our commitment to the international markets. We have added during this period about 33 exclusive stores and about 44 multi brand outlets across regions this year. We have also commenced our operations at our CKD facilities in Colombia and Thailand, Argentina, which was done last year, during this year, we did for Columbia and Thailand.

In addition to the facility in Argentina, as I mentioned. In the CKD facilities, we have almost assembled 5,000+ units. Our domestic network footprint as of date, stand at about 2,118 stores, of which 1,063 is dealership format and 1,055 is studio stores at the end of the financial year. our non-motor cycling business, it has continued to grow steadily. Our constant endeavor to deepen rider's engagement with his or her motorcycle, which has resulted in growth of our journey motorcycle accessories and spares verticals. We have witnessed the growth of almost about 45% YoY in this year. The total non-motorcycle revenue for the business is currently standing around 15% of the overall revenue.

On new product introductions. Just to give you a background, one of the things which has been done, we have introduced two new exciting motorcycles this year. One is the all-new Royal Enfield Classic 350 and the Scram 411. Reborn on the new J series engine platform, the all-new Classic 350, which has received an excellent response from all the experts and the consumers alike and has won numerous awards and accolades globally. Scram 411, the brand's first adventure crossover, was launched at great reception from consumers and experts. At the EICMA 2021, we showcased the SG650 concept, the newer retro interpretation that pushes the boundaries of what Royal Enfield motorcycle could look like. A host of landmark initiatives, marked by Royal Enfield's 120th year anniversary this year. One is 90° South, a daring expedition that saw two of the Royal Enfield Himalayans accomplish the unthinkable feat of traversing the treacherous journey to the south pole. Two of our company employees successfully completed this expedition in 28 days in December 2021.

We also debuted the 120th year anniversary edition of the brand flagship 650 motorcycle, the Interceptor 650 and the Continental 650 at EICMA 2021. The motorcycles received an incredible response in India, as well as Europe. And all of them got sold within about 120 seconds.

This year, Royal Enfield marked its maiden foray in the world of modern motor sports with Continental GT Cup 2021, with a focus on building accessible inroads for any enthusiasts in the motor sports and retro racing. The first season of the GT Cup was conducted at the Kari Motor Speedway and racetrack amidst the fanfare and the resounding response from all the young riders. Strengthening our association with armed forces, we partnered with the Border Security Force for one of its kind, all-women Seema Bhawani Shaurya expedition. The expedition saw about 36 women riders traverse 5,200 kilometers across the country on our Classic 350 motorcycle, which focused to build awareness about freedom and bias and stereotypes against the woman. And the whole journey ended at Royal Enfield factory. Further strengthening the pure motorcycling ecosystem, we initiated collaborations with iconic motorcycle lifestyle brands, TCX and Belstaff. The TCX association saw the two brands collaborate to create C-certified protective riding and lifestyle shoes. The association with Belstaff saw the launch of a range of lifestyle and protective apparel. To conclude, the consumer preference for personal mobility and premiumization continues to drive the demand for the segment and for our products.

As supply chain constraints gradually ease out, we expect production to scale up for that with a slew of new launches planned in the near term and midterm, we are excited about what is in store for us globally. That is, it from the Royal Enfield side. Now I will request Mr. Vinod Aggarwal to take you through the VECV performance and updates.

**Vinod Aggarwal:** Very good evening to everyone. And I will take you through VECV performance and also give you a little update about the CV industry. As far as the performance is concerned, last year was a very challenging year. but in spite of that challenging year, I think as Siddhartha mentioned in his opening remarks, we had good growth, both in volume terms, as well as in value terms. In value terms, we have a growth of 47% for the full year, and in fact, last year has been our all-time high-top line of Rs.12,724 crores as against Rs.8,676 crores in the year before. So, it is all-time high, even though the volume-wise, it is 57,000 plus. And as you know, the earlier peak was close to 73,000 in the year 2018-19. So, while in volume terms, we are much lower than the earlier peak, but in value terms, we have crossed the earlier peak. As far as the EBITDA margin and the profitability is concerned There were a lot of challenges last year, starting with very high inflation and then very high level of discounting and supply chain challenges, in spite of all this, good thing is that for the full year we have remained profitable, and, on a consolidated VECV basis, we have a PAT of Rs.108[*]crores, against Rs.63 crores in the year before 2020-21. As far as the EBITDA margin is concerned, for the full year, we have an EBITDA margin of 5.6% as against 6.8% last



[*]While Rs.108 crores PAT for VECV was mentioned during the call, that figure in fact is OCI PAT. Kindly make note of the same.

year. So, since the last year, the top line was much lower, the margins were better. So, in spite of the top line going up, the margins have dropped, as I mentioned earlier, due to very high inflation and inability of the industry to pass on the cost increases.

Even though we made up a lot through cost reductions, and there were some losses due to supply chain challenges.

And, then of course, as far as the market shares are concerned, I think we have done very well. In 5-16 ton segment, we have a market share of 30.2%, as against 30.6% in the year before. In buses, we have improved in fact, significantly in market shares, from 19.9% to 21.6%, even though the bus market still is very low. In heavy duty trucks, our market share is at 7.3% against 7.9% last year. So, there was lower market share because of very high discounting, which were there in the market. And of course, beyond a point, we decided not to run after the market share. That is why you see that overall, we have remained profitable. Whereas for nine months, and now we also have the results of Tata Motors for full year and for full year they are still on loss in spite of selling very high volume. So therefore, considering the difficult situation in the market, we have done reasonably well. As far as the new product lines are concerned, we are the ones which led the migration to CNG alternate fuel, and we have now, almost a 34% market share in the entire CNG market. And then apart from that, in the full year, we introduced quite a few, new products, and this was the entire range of CNG products, various variants in heavy duty trucks, in light and medium duty trucks and various new export products. Overall, we introduced, almost 66 new products last year, which included 25 in light and medium duty, 16 in heavy duty, 7 in buses. And we have introduced intercity coach in buses, which is now manufactured in Volvo Bus plant in Hoskote. So, this is the first fruit of our synergistic working between Volvo Bus and Eicher, as you know, Volvo Bus is now part of VECV. We also got the CV Maker of the Year award in the CV Apollo Awards for our 2114 CNG truck.

And we also got a few other awards in the overall CV Apollo Awards. So overall, I would say if you looked at the product portfolio, industrial capacity, our processes, especially the retail excellence and the network, and all other customer linked infrastructure, I think we have made significant improvements. We are consistently improving in our network and last year, we added, in fact, quite a few new network points in East and far East and in some of the other unrepresented territories. And we have plans to add more network points even in this year. So therefore, we should get more and more leverage from the expanded distribution footprint. Apart from that, I think we have done a lot of work in digitalization, and we have done a lot of work in retail excellence. We measure specific parameters which create customer satisfaction. For example, we measure responsiveness, we, we measure the repeat repairs, we measure in how much time our service vans are able to reach if there is a breakdown of a truck on the road, and we are able to give predictive maintenance. This is the first of its kind in the industry, if the vehicle breaks down or has some problem while it is running on a highway, our uptime center keeps on getting the data continuously from a running vehicle. And based on the analytics which we have put in our uptime center, if there is any problem with respect to overheating of the engine, or oil level is less that information is immediately known that the uptime center and on real-time basis, and our uptime center calls up the driver to inform him depending on the seriousness, either to stop immediately, or we book him in the next service station. So, by that process, we are able to save a lot of engine seizures. So, what I am trying to say, that we have initiated a lot of customers facing new initiatives, which are all digitalized and which are very strongly monitored from our side. So therefore, on the company side, we have the products which are technologically superior. We have the very wide range of products, and then, we have a very good set-up. The network is increasing, a lot of steps on the retail excellence. And now the industry is on the right path now after three bad years and hopefully it should go back to its earlier peak or even cross there. So therefore, I would say we have good plans and if we execute these plans well, I am sure the company will have good growth potential in future.

So then, I now invite Siddhartha back on this call.

**Siddhartha Lal:** Thank you Vinod and Govind. So, now you have heard from both the CEOs on the individual businesses on Royal Enfield and on VECV. And I have to say, I am absolutely delighted with the absolutely amazing leadership teams that we have at both the businesses. They are really in sync and very focused leadership teams working super hard. And as you know, we have a very strong and resilient business model and capabilities and it is really showing up even in tough times in the last couple of years, I mean, it does not seem like that sometimes, but they have been super tough from many perspectives, and you can see that we are still thriving in these conditions. And of course, as the markets go up, I am sure we will do much better because, for both the businesses I can see clearly state that we have very, strong product pipelines, a very good distribution which is working really well and in sync with our organization and needs. And we are super confident of making the strides and the path towards our long-term ambition. So really delighted about how things are going right now and looking forward to answering your questions.

**Raghunandhan**: Thank you sir for the comprehensive opening remarks, we start the Q&A session, Pramod, you can please go ahead.

**Pramod Kumar:** Yeah, thanks a lot, Raghu. And congratulations Govind and great to see you Vinod sir after a long time. My question is related to the domestic demand scenario, Siddhartha, I would not bother you Siddartha on the exports side. It is going really great. On the domestic side, thanks to the way the commodity price inflation and the regulatory headwinds have kind of added in, the product has become much pricier across the industry level and especially for you as well, because you cannot escape the ABS bullet right. So, just trying to understand, given the kind of price leap, what we have seen for your products over the last three-four years, and the macro where we are, which is not great, upgrade demand definitely kind of suffers and which is visible in your kind of the mind share you have on the category and the kind of market share and there are still gaps. So is there any thought on reworking the product or looking at something which can be more accessible from a price point, which can probably accelerate the upgrade ladder, because I'm pretty sure a lot of customers want to buy RE, but the prices have really gone through the roof. So is there something which the company can do in terms of reengineering the product, or a new derivative or a brand. You talked about a product pipeline, so does it include something like that? And if we can just share your thoughts on what kind of upgrade customers you are getting into your family every month?

**Siddhartha Lal:** So, Pramod, I will start and may be Govind can add. As you know, unfortunately for this situation, we do not talk about our future product plan. So, unfortunately, I cannot help you with that answer. Of course, we do have a very strong pipeline and we are cognizant of how the costs have been moving and therefore how the prices have been moving. And yet we do absolutely believe in the segment that we are operating in and that we can continue to get upgraders into Royal Enfield fold. And, of course, we are doing lots of different things in order to get upgraders into our fold. We have a very strong new thought process and work we have done on financing operations as well, not ours, but I am saying third party, but on how to get our customers in. So, there are a lot of different aspects of work going on and there is a lot of new bikes that will give a lot of enjoyment to people and they will be willing to pay for it really. I mean, that is how we are looking at it, but there are certainly interesting things on the horizon for sure. So may be Govind, you want to add something on what Pramod said.

**B Govindarajan:** Yeah. You were asking about the demand, and how is it going. I mean, just to the point which we discussed now, when the market is down by 18-20%, Royal Enfield has actually gained market share. Now you can see how the love for this Royal Enfield brand is coming up. Gradually the market is bringing into the normalization. Last few months, I have been seeing steadily the volume is growing; the industry is coming back because all along, we have been seeing in the last six months also our bookings have been higher than the retail, to that extent, what is happening is when the production comes up, then obviously there is the numbers which are going to go up. You have talked about accessible product and I thought all our products are accessible and yet aspirational, but we are also looking at how do we get more and more young customers who actually love to have the Royal Enfield motorcycle in his stable. For that, we are working on various methodologies of accessibility, how we can give it to the consumers, especially on the finance, which is one big lever.

We have started working on it intensely where we feel that that will help for the future products, where in young customers can also be brought into a stable.

**Pramod Kumar:** Thanks for that, Govind. Thanks Siddhartha. Second question is to Vinod sir, given that he is on the call today. On the commercial vehicle industry pricing discipline, because we have seen good growth for the last three years, but for some reason the pricing does not hold up. So, what is your thought on that? And related to that, do you see any improvement whatsoever in the pricing discipline in the industry and also on the EV, some of these tenders which have got floated recently, the bidding by few players seems to be very aggressive. So, if you can share your thoughts on the viability of such bids or companies which have bid and is that a really viable business model there on EVs? Thank you.

**Vinod Aggarwal:** First on the pricing front, definitely currently this is a major challenge that we are not able to pass on the price increases because of the competitive pressures. At the same time, I think it cannot continue like this because I am sure a better sense will prevail. And once the capacity utilizations improve, and the CV industry is on the recovery path, once you reach nearing your capacities, I think, there will not be any incentive to continue giving big discounts. So therefore, that is one part of it. The second is we have to create more and more awareness with the customers that they should not look at the initial price. They have to look at the overall cost of ownership. If you look at the overall cost of ownership, the price plays only part to the extent of maybe 20% of the cost of ownership, 50 to 60% is the fuel economy and around 15 to 20% is the tyre life. So, if we are able to save costs for the customer on fuel side and on the tyre side, I think the cost of acquisition, even if they pay 5-10% premium does not matter because even if you pay 10%, it is only 2% of 20%, whereas if you save 10% of fuel, then you save 5% out of 50%. So therefore, our drive has been to show the value to the customer. And we are right now working very, very seriously that in case there is any leakage in this value that is what we are plugging in. And that is where the customer service is going to play very important role. And we are working very seriously to improve now on various parameters of customer service. And we are delivering a great value as far as through the digitalization initiatives and through connected trucks. As you know, we are now giving a 100% trucks and buses as connected, and we make the connection live and give it for two years. And then we are able to show customer the value through a very powerful app, which we have put on the thousands of customers smartphones. And we are also able to give predictive maintenance of that. So therefore, I am not too much, but in the long run, as far as the discounting is concerned, this is a short-term phenomenon. It has to die one day. It will die and then of course, that is the time when the companies like us will get into the major advantage mode.

As far as the electric vehicles are concerned, I think this is the beginning, the industry is evolving and of course the current CESL tender, which has been allotted now and which has decided the prices, is beyond our understanding because there was a difference of almost 20% from the L1 and L2. So, between L1 and L2, I have never seen the huge difference like this which is almost 20%. So, we have to understand what the motivation is to take on the orders at such a low price. And we should not forget, this is going to be very tough business because, whatever tenders you are picking up, you have to be careful because this entire model is on per kilometer basis and you are committing for next 12 years, whatever rates you are giving, you are fixing the rate for next 12 years and then you have to deliver uptime and you have to deliver everything in next 12 years. So therefore, if you are taking a hit in per kilometer, it means you are going to suffer consistently for the next 12 years. So of course, we will never do that sort of thing and we are very clear that we will incur loss because we do not want to become loss leaders. But the industry will evolve. There will be more opportunities to make on the electric vehicles. It is just first tender which has come.

Now, it was government incentive-based tender under FAME II. More tenders will come, which will be outside the FAME, and which will be for private contracts because right now 5,000 buses, this is all for government STUs. Now you will see more and more action happening in the private space in various intercity routes or various intracity routes. I think we are ready with the technology; we are ready with the products. So therefore, we are for a long run, and we are not going to give discounts in the short run.

**Raghunandhan:** Thank you, sir. Next can we have a question from Jinesh Gandhi?

**Jinesh Gandhi:** Yeah. Hi, thanks for taking my question. A couple of questions. One is what are we seeing on the commodity side now? What are the pressures seen in the fourth quarter and what kind of pressure to expect in upcoming first quarter? And the second question on the other expenses, which continued to remain high. I believe last quarter, we had some event-related expenses, but despite that we have seen further increase in this quarter, so how should we see through the other expenses line item?

**Kaleeswaran Arunachalam:** Sure. Thanks, Jinesh. Overall, from a commodity perspective the headwinds continue. As you would have seen, now, we all thought around Q4, maybe the beginning of Q4 it can settle in, but then there was the geopolitical disruption, which is further adding to the commodity pressure that we are seeing. And at this point of time, we need to wait and watch. There is no clarity as to when will this stabilise. Base metals have started to increase, that is where the significant pressure is coming in. More or less, precious group of metals went up and that is coming back. So that is happening, but base metals continued to increase. So, we need to wait for at least a quarter or two to see where this stabilise and do we see a fundamental correction happening after the super commodity cycle. But at this point of time, too early to conclude. Coming to your second question, in terms of the other expenditure, I would love to look at this in two parts. One is, if I have to compare this to FY20, our full-year other expenditure was about roughly Rs.1,200 crores, that in FY22 stands Rs.1,400 crores. Now if we have to look at the delta of what is driving this increase, one part of this is significantly on account of the freight increases that have happened. You will see, in our export business, we have almost doubled the business, reaching about 67,000 units for the full year. That also means, there is one availability of container is becoming a challenge and whatever container is available is at an extremely premium cost. We are seeing about 4-6x increase in terms of the overall freight cost that is on the international side. So, volume increase on international, coupled with the container cost increase, is one reason for other expenditure to go up, which we expected to continue in terms of the future also. But overall, the model mix at international at net of all the costs is still accretive to the bottom line. Second, yes, we did invest in some of the launches that we talked about in the earlier quarters, which had the Classic and it also had the trip to South Pole. So, while those are milestone-based events that happen, but we would love to continue to invest in the brand and ensure that the aspiration gets balanced with accessibility. So that is probably the way forward I would see as to how do you need to look at other expenditure.

**B Govindarajan:** Just to add on, Jinesh. On the commodity side, because it is a super inflation, which is continuing now, what does that we have to do as an organisation, our focus is very intense. We have commissioned our value engineering, we have VA/VE initiatives with our team dedicated people who are put onto the job. We have done as a team, mining out what are the options, which are all there in reducing the precious metal. And that activity is continuously going on, without disturbing any of the ride handling, which is very important for us. We are also started looking at digitisation of some of the activities. Thereby, the activities, which is unnecessarily adding some costs, can get automated. So internally, we are also looking at how do we edge all these sorts of issues, which we do not have a control on. But we are very focused. We are seized of the issue, and the team is fully on the job, Jinesh.

**Jinesh Gandhi:** Thanks. And one last question on exports. So, given that export has been doing extremely well for us, we now have broadly good presence in most of the important markets which we are targeting. Over next couple of years, which are the key markets where we were looking to ramp up our presence with respect to both in terms of the distribution network and in terms of volumes. Thanks.

**B Govindarajan:** Yeah Jignesh. The international market, in our opinion, is a starting point for Royal Enfield's success. We have launched our Classic 350, which is also an outstanding product, which got received very well across the globe. This is a Euro-V compliant vehicle, we launched Scram. All of these vehicle launches, which had come in. So, for us, it is just a starting point as of now, the markets like Europe, North America, LATAM and APAC regions, all those areas as I mentioned, the market share has been steadily growing and in some of the areas where we have decided to be there in that market, through the CKD route, thereby our presence is there and, that is how the consumers actually relate to that they are part of us. Like we live the life of the consumers in those countries, and that is why we see the growth in the international market is going to be very huge. As of now, we are actually sending motorcycles which are manufactured in India to almost 60 plus countries, and wherever our consumers are in love of these motorcycles, we will look at that on a priority basis and we will enter into the market.

**Siddhartha Lal:** Yeah. Just to add a little bit on the markets as it were. EU is huge for us, and we believe it can grow tremendously in the coming years or decades. So, Europe is absolutely enormous, and they love our motorcycles, so it just works out really well. In North America, similar, but maybe a step behind right now. So, we are building further distribution. So, we are really penetrating now deep into EU, deep into North America. So, in all the developing countries, which means Australia, New Zealand, we have a great brand equity, and people love our motorcycles. Japan, Korea, all these developed countries doing well. Then again, further depth, let us say in the core LATAM and APAC markets, that is still a longer story. So, it is working out, it is got huge potential in the medium, long term and we are doing well. We have got brand salience, we have got distributors are doing well, dealers are doing well. So, it is actually a lot more depth, but we keep adding a market here, a market there to test different situations, conditions. We have added something in Morocco recently, again, just to get a feel of what different markets may be like, approaching some markets in a different way. We are doing only some B2B transactions in some markets for tour operators, just to sort of see how we operate in those markets before we actually start putting in a distribution. So, we are testing those kinds of things in Africa, for example, because we do not want to be in the taxi market. We have no interest in that market, which is really the core for other Indian players who are in Africa, but we have other ideas, thoughts, means, and not in the typical fashion, but we are expanding, but in different ways now in different countries.

**Raghunandhan**: Thank you, sir. So next we have we have Sonal Gupta? Please go ahead.

**Sonal Gupta:** Yeah. Hi, good evening. And thanks for taking the question, just continuing with the previous question, could you just sort of give some more details in terms of what is the broad split of exports in terms of the EU, Americas, LATAM and APAC? Could you also talk about like, you have been in Thailand now and you are setting up an assembly plant, and also in Columbia for four or five years. So, where have you reached in terms of market share or scale, and how large are these markets, if you could just talk about those.

**Kaleeswaran Arunachalam:** So, starting with from a region priority, if you look at it, the large part of our business, as Siddhartha started with, comes from EU, close to about 40% of our business comes from the EU market. Followed by Americas, which includes Latin America, which is roughly about say 25-30%. And then the balance comes from, Asia Pacific. So, let us start with Thailand as a market. Yes. I think we see a significant potential as a market, not only Thailand, but also the entire Southeast Asia for that matter. So, we started with our penetration into Thailand, with our stores, followed it up now with the CKD, and we do see the market going up, and our market share is inching towards 7-8% already in the Asia Pacific region. Now on the Latin America side, there are two parts to it, one Brazil, which continues to be a significant opportunity for us in terms of the revenue deliverability, but the country has its own challenges in terms of forex or in terms of the tax structure it has got. So, we need to balance it out and at appropriate time, take calls as to what kind of setup will make it accretive for us as we grow forward. Columbia and Argentina, we have already started a CKD plant, business is delivering very well, for us. Between Latin America, if I have to look at our run rate, including Brazil, we should be doing roughly about, say 20% of our exports coming from those markets.

**Raghunandhan:** Thank you. Next, can we have Kapil Singh?

**Kapil Singh:** Good evening, sir. Firstly, wanted an update on the supply situation? What is the percentage production you are losing currently compared to the required run rate? And we had talked about several actions to address this problem. So, what is the update on that?

**B Govindarajan:** Yeah Kapil, what is happening now, as I mentioned, ours is a hundred percent ABS motorcycles. To that extent, the e-component, especially the semiconductor issue, which was there last year, we were losing production fundamentally because we had only one source but over the year, we swiftly, brought in two more vendors, thereby the supply is increased. Just for everybody's understanding, the overall capacity of, let alone for us, for the entire automotive, it will be kicking in from first quarter of 2023. That is what is being said. But what we have approached as an initiative is that we should not lose the production. So, we have gone ahead with the various levels of purchase, inventory to some extent, alternative sourcing additions. So wherever possible, the supply chain volatility, which is there because of the current pandemic situations, our team is on the job of actually maximising, the potential which is available for us.

**Kapil Singh:** Are we losing our production right now, or you think it is more or less at the levels at which we want it to be?

**B Govindarajan:** We have been steadily ramping up; to the market, whatever is required. We have actually come out with what is called as an S&OP for new process, which we have added into this so that the consumers are continuously connected into this. We are working very closely with all the suppliers so that we do not lose any productions., so that efficiency is also maintained. So, it is a constant growth which I am just seeing now.

**Kapil Singh:** Okay, great. Kaleesh, one follow-up to you please. The other expenses, should we look at it as a percentage of sales? It has been holding around 12 to 13%. So, is that the right level to expect given your international expansions?

**Kaleeswaran Arunachalam:** That is right, Kapil. I think at this point of time, we should take it at that level. Considering there are growth aspirations plus brand building, aspirations that will continue via marketing investments also.

**Kapil Singh:** Okay. Thank you. I will follow up on this.

**Raghunandhan:** Thank you, given the paucity of time, that was the last question. Please note the IR team and management will be available offline to answer any questions. I now hand over to the management for closing remarks, please.

**Siddhartha Lal:** Thank you all very much for attending. And looking forward to talking to you and seeing