

November 21, 2024

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National Stock Exchange of India Ltd.
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Scrip Code: HEROMOTOCO

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Scrip Code: 500182

Sub: Transcript of Earnings Conference Call for the quarter ended September 30, 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 November 15, 2024, for the quarter ended on September 30, 2024.

This is for your information and further dissemination.

Thanking You,

For Hero MotoCorp Limited

Dhiraj Kapoor
Company Secretary & Compliance Officer

Encl.: As above

Hero MotoCorp Ltd.

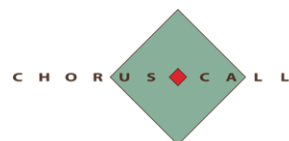
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“Hero MotoCorp Limited
Q2 FY'25 Earnings Conference Call”

November 15, 2024



The Management Team will be 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. Rahul Arora – Nirmal Bang Equities Private Limited

Moderator: Ladies and gentlemen, good day and welcome to the Hero MotoCorp Limited Q2 FY'25 Earnings Conference Call, hosted by Nirmal Bang Equities 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 star, then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Arora, CEO from Nirmal Bang Equities. Thank you and over to you, sir.

Rahul Arora: Thank you, Steve. On behalf of Nirmal Bang Institutional Equities, I would like to welcome everyone on this call for hosting the Q2 FY'25 results call of Hero MotoCorp. At the outset, I would like to wish everyone a very Happy GURPURAB, a very auspicious day to be holding this call. And I would like to thank the management of Hero MotoCorp for giving us the opportunity to host them for this quarter's earnings call. I would like to hand the call over to Mr. Umang Khurana, who is the Chief Risk Officer and the Head of Investor Relations at Hero MotoCorp, for the management introduction and to take the call forward from here. Umang, thank you and over to you.

Umang Khurana: Thank you, Rahul. Hello everyone and Happy GURPURAB. For the quarter call, we have our Chief Executive Officer, Niranjana Gupta on the call; we have Vivek Anand, Chief Financial Officer; we have Ranjivjit Singh, he is the Chief Business Officer - India Business Unit; and Swadesh Srivastava, who is the Chief Business Officer for Emerging Mobility Business Unit. The call is for an hour. We will begin with opening comments from Niranjana and Vivek and then take your questions. Over to you, Niranjana.

Niranjana Gupta: Thanks Umang. Good morning friends. A lot has been happening in the world. And it seems like 78 is the new 58. And it also means that nothing is impossible in this world, as we have seen with the U.S. elections. Closer home, of course, the election fever resumes after the festive cheer that we have seen.

And we have our own reasons to cheer, as you saw, with another quarter of highest-ever revenue and highest ever bottom line, and many of the firsts that you saw in our yesterday's results. I'll, of course, leave Vivek later on to talk in detail more about the results. More importantly, the results are testimony to our strategy playing out very well in terms of execution, and we'll continue to stay true to that strategy. Our P&L shape is stronger than ever before. Our balance sheet is stronger than ever before. The cash flows are stronger than ever before. And that allows us the flexibility to, and the headroom, to invest even more aggressively behind our growth priorities, which we have talked about earlier, namely EV and Premium specifically.

So we'll be investing behind brand building. We have already talked about the new model launches we're going to come up with. There's a lot of excitement in the, further excitement in the premium segment as well as scooter segment over the next 6 months, as you will see.

The economy, I think, is on a more positive trajectory than earlier, clearly, and we are very optimistic about the outlook of economy in general and auto sector, in particular. So overall, I would say the festive cheer will continue even beyond festive. With that, let me just hand over to Vivek to take you through the details of the results.

Vivek Anand:

Thank you, Niranjan. Good morning to all of you. Thank you all for joining the call and warm greetings for the festive season to everyone. I'm pleased to report strong financial results for Hero MotoCorp for the Second Quarter Financial Year '25 and Half-1 Financial Year '25.

The company recorded its highest ever quarterly revenue of ₹10,463 crores, reflecting year-on-year growth of 11%. Highest EBITDA, which stood at ₹1,516 crores, a growth of 14% and highest ever quarterly PAT of ₹1,204 crores, growth of 14%.

The company also reported its highest ever quarterly revenue from parts, accessories and merchandise business at ₹1,456 crores, year-on-year growth of 7.5%. Moving on to the Half Year Financial Year '25 results, the revenue amounted to ₹20,607 crores, year-on-year growth of 13%. Highest ever EBITDA at ₹2,976 crores, a growth of 17.4% and the highest ever PAT of ₹2,326 crores, year-on-year growth of 24%.

Our continued strong focus on cash management resulted in delivering cash from operations during Half-1 ₹2,817 crores, which is up by 160% over last year, strengthening our financial position even further. The EBITDA margin during the quarter for ICE business improved by 160 basis points to 16.5%, driven by mix improvement, lower material costs and LEAP savings, while we continue to invest behind brand building and new business.

During the quarter, after taking into account the investment behind EV business ₹175 crores, the overall EBITDA margin improved by 40 basis points to 14.5%. Our continued efforts in the EV business has started to show encouraging results as we further scale our volumes and improve market share in the segment to now double at 5,000 units per month during the quarter.

We further scaled up to 11,600 units during the festive and gained 20% market share in 5 cities and 10% in 10 cities during the festive period. We will continue to improve the product contribution as we scale up volumes and drive value efficiency with the launch of new products, covering all price points later in the year and in early next year.

We clocked the highest-ever festival sales of 1.6 million units this festive season, 16% revenue growth in the festive period of 32 days, reiterating the confidence customers have with Hero. During the period of 32 days, our Vahan market share improved to 31.6%. Moving ahead, we'll continue our investments behind new products and segments, including premium, EV portfolio and improved customer experience in store with Hero 2.0, Premia and online, with investments behind digital and technology.

I'm delighted to share with you that we have been recognized for our contribution towards sustainability by the Dow Jones Sustainability Index for 2024. We are the top-rated two-wheeler company globally and the fourth in the world in the auto sector on the DJSI.

We are optimistic about the growth prospects of two-wheeler industry and with the continuity of demand and recovery in the broader two-wheeler market for us, both rural and urban, ramp-up of 125cc portfolio, new product launches and strong investment behind building power brands, we expect to grow ahead of the industry. On that note of festive cheer, let us open the floor for Q&A. Over to you, Umang.

Umang Khurana: Thank you. We'll take the questions now.

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

Kapil Singh: Congratulations on a strong performance and also the rankings for Dow Jones Sustainability Index. My first question is on the demand environment itself. I saw that company has grown around 13% in the festive season. How does it compare to the industry growth, if you have any data around that? And are you seeing, after the festive season, also demand sustaining? That would be my first question.

Ranjivjit Singh: Good morning Kapil, Ranjivjit here. Happy Gurpurab and festival greetings again. The festival was indeed very very positive for us as we saw. We prepared very well. The preparation for something like this that goes into a result like 1.6 million with a 13% growth, obviously, all the channel partners - inspiring them, motivating them, getting onto the same page, getting the production and the inventory geared up and the model mix geared up for that takes a lot - building that connect with the customers, with our prospects. And therefore, the theme that we brought in was 'Shubh Muhurat Aaya, Hero Saath Laya' and that really resonated very very well, I must say, across. In addition to that, the work that we did around our power brands, the Xtreme film, I'm sure you couldn't have missed seeing the Virat Kohli film that we did with Xtreme 125 as well as Xtreme 160, the film that we did with Megastar Ram Charan for Glamour, as well as the excellent campaign that we did for Super Splendor around mileage, all of that resonated very well.

We saw the upswing coming in from rural as well as from urban, getting a result like this obviously has to be a Pan-India effort and that landed very well. It resulted in a Vahan share increase in October as well as in November, we see that continuing in terms of the trend and the outlook that we currently have, which is the auspicious days of marriages continuing, et cetera, is still quite positive, I would say.

So overall, it's helped us to reduce our inventories incredibly. And so overall, I would say, we are very, very happy about the way Dhanteras happened, it was the highest ever for us. The overall festival results are good. We believe overall, it's been an excellent performance by HMCL.

Niranjjan Gupta: And if I may just ask Swadesh to talk about the EV festive as well.

Swadesh Srivastava: Thank you, Kapil. It's been a great festive on Vida front as well. We clocked 11.6k units in retail. And we have gone to a market share of 5.4% overall. And each of the zones have fired up on this, and we see a very uniform growth happening across the country. Obviously, the top markets continue to grow fast, but we see all the regions contributing to this.

Niranjan Gupta: Yes. And also, Kapil, in terms of the question that you asked around how do you look moving forward, like Ranjivjit said, the positivity is continuing. You also see the cheer around a lot of people getting united, and I mean wedding days. And therefore - and of course, a lot of positive from the monsoon are yet to come in into the incomes at the bottom of pyramid. So which is where, like initially Vivek said, that we are very positive about the outlook.

Kapil Singh: That's great to hear. Sir, second question is on margins. We saw very good improvement on a quarter-on-quarter basis. Probably the other players may not have seen this when I look at the data. So it's a 2-part question. First, if you could just let us know, is it just the parts mix or any other factors are here? And second, we can also see -- particularly, I was talking about gross margin, and the second is, we can also see investments going on as well from your side, and you have talked about it for some time to drive growth. So how should we see the investments for growth continuing? EVs, in particular, you're still investing close to between 150 to 200 basis points. Do you see a visibility that localization and PLI benefits - by when could they be available? And as they come, should we expect margins to improve? Or should we expect that you would invest more for growth as you have been talking about?

Niranjan Gupta: So Kapil, let me take that. In terms of our margin, it's been a continuous improvement. So it's not just 1 quarter's improvement, if you see this is continuously improving. And it's on the back of, of course, some benefit from the commodities, whether it's LEAP savings and the third big element also is the mix improvement.

We have been premiumizing our entire portfolio over the last 8 quarters, as you have seen through Xtec series and each one of them starts adding to the margin. So it's been a continuous improvement. Investment behind EV, of course, 200 basis points and as the cost curve keeps coming down through external factors on the sales price as well as internal actions that we are taking.

In terms of scale and the bps, it may actually not require as much. But that's something to be seen. We will, of course, continue to invest to get the growth. And as far as our margin is concerned, we always maintain the overall tramline of 14% to 16%. And of course, our financials allowing flexibility. Vivek, do you want to add anything, more color to this?

Vivek Anand: Yes. Just one point, Kapil. I think as far as the overall business is concerned, we will continue to invest behind growth, right. So our priorities are very, very clearly defined. And we'll make sure while we are investing behind growth, we will continue to really deliver on profitability in line with the guided path, we've given to you.

Kapil Singh: Sure, sir. And just on the PLI part as well, if you could comment by when can, are you expecting to be eligible?

Swadesh Srivastava: Kapil, this is Swadesh. So in FY'26, you'll see our products getting compliant with PLI, and those benefits will start to accrue.

Moderator: The next question is from the line of Aryn Pirani from JP Morgan.

Amyr Pirani: Congratulations on a strong performance. So obviously, this question has been addressed partially with Kapil's question. We are hearing all different kinds of news flow on automotive growth moderating, slowing down. We have heard from some financiers also, especially on the two-wheeler side that asset quality is starting to become a problem. So obviously, we are getting into marriage days that helps you on a sequential basis, but generally, over the next 6 to 9 months, are you seeing any signs that the momentum that we have seen in domestic two-wheelers of the last 1.5 years, is that moderating, slowing down or things are going as they were in the last 6 to 9 months? Some color there would be quite helpful from the financing side, as well as from a consumer enquiry, sentiment side as well.

Niranjan Gupta: In fact, Amyr, I would say that a good part of the bottom of pyramid, as we call it, is yet to fully participate in the India's growth story and they are coming back. We've seen them in parts in festive. So, and of course, as we know over the last 3 - 4 years, there's a huge government capex spending, which has happened. These things have a long-term positive impact. And of course, the crop and monsoon are all short term. But if you look at even the initiatives which have been taken by the government during this union budget and continued focus on creating long-term investment and employment, I would actually say as we move forward the next 4 to 6 to 8 quarters, as the bottom of pyramid starts participating more, this would actually benefit the economy, of course, and the -- but auto sector, in particular, and especially whichever is arising out of the rural. So don't see negative, in fact, see only the positive side there. The rest, of course, whether it's the marriage days or these are all short-term factors. But over the medium term, that's what we see that growth still doesn't have the full dividends of the bottom of pyramid, which is yet to participate.

Amyr Pirani: That's helpful. So if I can just maybe ask for some data points. What was the financing share in the current festive period? And how much of that was done by Hero FinCorp? And also, how is the -- did you see any extra discounting or schemes in the market by competition, this festive vis-a-vis last festive?

Vivek Anand: So on the finance penetration during the festive period, the number was close to 66%, of which, HFCL was around 26%. That's almost in line with the last festive, as I said.

Amyr Pirani: Okay. So you're saying 26% of the 66%. So 74% is done by external parties.

Vivek Anand: Yes.

Amyr Pirani: Is that -- okay. Okay, wow. Okay. And anything on the schemes in the market this festive? Did you see more competitive activity there vis-a-vis last festive?

Niranjan Gupta: No, I think as far as the schemes are concerned, every year, the festive season has those schemes. It not that this festive as a percentage of revenues were anything disproportionate or out of the way.

Moderator: The next question is from the line of Gunjan from Bank of America.

Gunjan Prithyani: Thank you for sharing that highlights release, it sort of answers a lot of questions. I just had 2 follow-ups. One was on the demand, continuing with what Kapil and Amyr also asked. How is

-- how divergent is it between rural and urban? And the reason I ask this is because a lot of companies are talking about urban moderation. So in your book, you actually see both very clearly. So if you can sort of give us some comments on how did that 13% festive growth look between rural and urban and general color on both. That will be the first question.

Niranjan Gupta: I will ask Ranjivjit is to talk about that. But before that, let me just talk about -- see, stats can be looked at in much different ways. So when the rural percentage goes up, you can say urban moderation. The other way to look at it, you can say now rural has started participating more. Over to you, Ranjivjit.

Ranjivjit Singh: It's a very interesting phenomenon. And I think these 32 days of the festival give us a good insight in terms of how consumers behave also in different zones and regions of the country.

Umang Khurana: There's some background noise, maybe we want to mute. We all want to celebrate, but maybe we'll do that after the call.

Niranjan Gupta: Yes. That's cool. I didn't mind that music. But it's fine. Yes, Ranjivjit over to you. That's for Guru Nanak's celebrations.

Ranjivjit Singh: So the first part of the festival, I think everyone participated. There was obviously some pent-up demand after the sharp days, less marriages in H1, et cetera. So there was a lot of enthusiasm. But in the second part of the festival, with the -- I'm sure everyone is aware about the rainfall, the unseasonal rainfall, some of the cyclone effect, et cetera.

What was really good and heartening was that their inquiries kept going up, and that gave us a very strong indication that there is demand right out there. So the demand was there. And then obviously, in the last part when Dhanteras comes in, it went up literally like a rocket. So that, again, tells you a very balanced demand trend that goes out across urban and rural. In our case, particularly, we obviously benefited with strong rural demand in addition to the urban flow that happened.

I think the fact that there was pent-up demand before the festival and the oncoming wedding season, which people also use this as an auspicious time, the festival season to buy, I think both sides, it worked well for us. So to give you a sort of a thing in the festival what really came through was a very strong consumer buying behavior that we see continuing even as we go forward as we've shared before. So overall, between rural and urban, I think it was a very, very balanced and good demand trend that we saw.

Gunjan Prithyani: Okay. So it's fair to assume that both were double digits for you guys, I mean, 2 percentage points here and there, but both were similarly positive in the festive season, both urban as well as rural -- urban was in single digits?

Ranjivjit Singh: Yes, yes. It is in the broad -- this thing, of course, the rural came in a little higher, but I wouldn't make too much out of that. I think it's very balanced, like I said.

Niranjan Gupta: Both are double digits, yes.

Gunjan Prithyani: Okay. Got it. And the second question I had on this EV market share that you speak about 20% share in 4 towns and 10% in 10 towns. I mean, what is it that we are getting right in these towns? Is it the brand Hero? Is it EV? I mean if you can just share some color on how we are progressing in terms of scaling this business up because 20% market share does look quite intensive in 4 towns. So which towns are these? And what drives higher market share in these towns versus lower in some other towns?

Swadesh Srivastava: Hi Gunjan, this is Swadesh. So in festive, we saw huge growth in markets like Kolkata, Mysore, Cuttack, Bhilwara - and these were some of the markets where we saw a 20% market share. While others also participated quite heavily like Delhi, Bhubaneswar, Patna and all where we saw more than 10%.

I think what is working for us in these is that we have a very strong sales network in these areas. And the demand for EV, especially for the customers who are looking for reliable EV from likes of the house of Hero is definitely there. We have definitely strengthened our dealer density also in these markets. And a combination of that is really helping us grow fast in these markets.

Niranjan Gupta: And also just to add, Gunjan, apart from what Swadesh just talked about, it's also our footprint of expansion as to how we are pulling out. For instance, as we keep expanding the Premia stores footprint, wherever these stores are coming up, there obviously, there's more traction and easier to convert the customers to the Premia stores. Similarly, the Hero 2.0 -- Hero 1.0, Hero 2.0 and which is where we're putting. So it goes simultaneously also with our expansion of our upgraded 2.0 and the Premia store apart from, of course, the network and the disproportionate focus that we are putting out in these cities.

Swadesh Srivastava: In the top 30 cities.

Niranjan Gupta: Absolutely. Yes.

Moderator: The next question is from the line of Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah: My first question is on the premium portfolio. We are making efforts in expanding the product portfolio as well as the network. At this stage, it appears that in volume terms, about 18% to 19% of our volumes are EVs plus scooters, plus 125cc and above. So just trying to understand from a margin perspective, what's the sort of scale we need to achieve here to get that portfolio closer to corporate average margins?

Niranjan Gupta: So in terms of the scale that we are talking about, given that we leverage our existing scale of manufacturing, of distribution, of sourcing, we don't require to scale too much up to get to the normalized margin of those segments. I won't give a number, but I would say that anything upwards wherever you are able to get around 8% to 10% market share, we are able to get to the normalized margin of that segment because of the power of existing scale that we have, Chandra. I hope that answers your question.

Chandramouli Muthiah: Sure. That's helpful. Second question is on electric motorcycles. So I think you did make a very interesting presentation in January this year at the time of the Xtreme and the Mavrick launches. I think that you mentioned that you start with performance, then premium and over time go to

mid-premium and mid-segment on motorcycles from FY '26 and beyond. So I just want to understand how we are thinking about that plan and also on timelines for execution on that?

Niranjan Gupta: Timelines, sorry, you asked about the electric motorcycles?

Chandramouli Muthiah: That's right. That's right. The move from performance to mid and what is the timeline for execution on that product plan?

Niranjan Gupta: Got it. Got it, Chandra. So basically, as far as EV motorcycles, as we have talked about, that we are developing in partnership with Zero Motorcycles. And that's something that while we have not given out the timeline, but the work is in progress. And it will be coming in the middle weight segment. I would say it's in the advanced stage. We haven't announced the timeline as yet, but we would be looking at something which would not be too far off.

But that's what we are working on and it will come in the performance motorcycle segment. On the scooters part of it on the EV, of course, we are expanding our portfolio. I'll ask Swadesh to talk about that. It's happening in 2 stages. So Swadesh, why don't you talk about how we're expanding the Vida scooter portfolio.

Swadesh Srivastava: Hi, this is Swadesh. On the scooter side, while we are selling the 2 models right now, you will see addition happening and expansion to other price segments happening by the -- within -- before the end of this year, calendar year. And within 6 months of that, you'll see even further expansion going into other user segments. So we'll have a very robust portfolio within 6 months.

Niranjan Gupta: So basically, by -- within 6 months, you would have covered most of the price and the customer segment as far as EV scooters is concerned, Chandra. I hope that answers your question, Chandra.

Chandramouli Muthiah: Got it. That's helpful. And lastly, just a quick follow-up. I think a few quarters back, Niranjan you shared that roughly 55% to 60% of your inquiries were coming from rural versus the prior period of 40% of inquiries coming from rural towards the end of COVID. So I just want to understand, at this stage, if you could give us an update on what percentage of your inquiries are coming from rural?

Niranjan Gupta: Yes, that trend continues, Chandra and that you have seen in the festive as well. And like Ranjivjit talked about, that resulted in overall 13% growth and within 13%, it was really higher on the rural side and a little less on the urban side. So that trend continues in terms of the participation, the positive momentum on more participation from rural.

Moderator: The next question is from the line of Kumar Rakesh from BNP Paribas.

Kumar Rakesh: My first question was on the financing side, which you partly addressed earlier. But how has been the delinquency, especially in the two-wheeler order book, which you have in Hero FinCorp over the last quarter or two?

Niranjan Gupta: We do not comment on segment-wise delinquencies. But what I'll ask Vivek is to maybe spend just 1 minute on the Hero FinCorp overall, what we see as the performance.

- Vivek Anand:** Yes, very briefly. I think in the first half of this financial year, we've seen the delinquencies and the collections slowing down. And so as a result of that, that has really impacted the profitability of HFCL, right. And so the company is really taking steps in terms of really improving the collection efforts. Hopefully, we'll see collections coming back in the second half of the year.
- Niranjan Gupta:** And their loan book overall, just to supplement Vivek, has grown 16% in Quarter 2 over Quarter 2 and they're on a very strong trajectory of their AUM and the growth, which is there. And of course, the short-term phenomena, which is the increase in some of the GNPA's, but it's well managed and moving forward, and they're well on their path to IPO.
- Vivek Anand:** Yes. And also just to add, I think -- what we see in the result of HFCL is something which we are seeing across the industry as well. The delinquency rates, right, and the cost of credit actually has gone up impacting the overall profitability of the NBFCs.
- Kumar Rakesh:** Yes, that is something which I'm noticing is happening. My question was more specifically that your credit cost in the second quarter has gone up. So is that across the segments which you are seeing or two-wheeler would be an outlier or within the two-wheeler also we would have seen deterioration to happen.
- Niranjan Gupta:** I would say that, that's more related to the FinCorp corporates to answer. So we will not get into that in terms of answering their credit costs, yes.
- Kumar Rakesh:** Fair enough. Okay. My second question was on the Premia store strategy which we have. So we are targeting to open about 100 stores by the end of this year. I would assume that you would further expand beyond that. So based on the strategy which you have on the Premia store side, what kind of monthly premium volume you would need to make that sustainable? And I would be assuming that you would have about 20-30% monthly volume right now. Is that enough to sustain the expansion strategy that we have on the Premia store side?
- Niranjan Gupta:** What we expect is that any of the Premia store that's opened up to be sustainable within 12 to 18 months' time frame. So that's roughly the time frame that one is looking at. And we continue to have a lot of interest from our dealers in terms of opening up. We already activated 58. And there is a path forward to even accelerate that. Ranjivjit, why don't you talk about the traction on the Premia store and the type of customers that are coming in and what the dealers are saying, the NPS scores and your accelerated path for expansion.
- Ranjivjit Singh:** Yes. So this is something I really wanted to share with you all. During the festival, I traveled a lot. I went to Baroda, I went to Alleppey, Cochin, even Bulandshahr, Mysore, Bangalore, I traveled to a lot of -- I think I must have -- out of the 58 that Niranjan mentioned, I must have traveled to at least 13 of the Premia stores and the dealers are very, very excited. The dealerships, the Premia stores are looking, if I can use the word gorgeous.
- They are fantastic in terms of the welcoming atmosphere and the way the customers are taken into a different realm of imagination. And I would encourage and invite you all when you do visit the market, have a look at it. It's a nice experience -- very, very nice experience. Similarly, Hero 2.0 are also -- and this time, when the customers came in, they were -- all had a fantastic experience in this new avatar of Hero coming into Premia and coming into Hero 2.0.

That has lifted a lot of the conversions that we've seen. So we've seen a lift in the conversions. The Hero happiness score, the Net Promoter Scores that we are seeing, again, there's a lift in that, that is coming through.

The customer service upgrades that we've done, I mean, the bigger ramps, the training, the software, all of that is adding to the overall experience that we've put into place. So these are things like Niranjan says will take 1 year, 1.5 years for it to reach the level that we have anticipated, but I'm sensing that there's a lot of excitement around this and also our dealers are participating very well.

Niranjan Gupta: Let me add to this that unlike, let's say, if you were to be only in this segment, the viability that you will require to be sustainability expanding will have a lot more pressure compared to us, where we have the power of scale. So most of our dealers who are putting up the Premia stores are our existing dealers.

And therefore, there are profit from the existing stores, which is from our core, which is coming in, and therefore, one doesn't have to look at a stand-alone viability for the sustainability of expansion. So that will never come in question. But equally, we are mindful that we should look at getting breakeven points of these stores within 18 months to 2 years' time.

Ranjivjit Singh: Niranjan, I'll just add one more thing, which is when I visit, I see a different set of customers coming to Premia stores. So that, again, is an incremental kind of new customers that are coming in that again adds a lot.

Niranjan Gupta: So our expansion will continue in short.

Moderator: The next question is from the line of Pramod Amthe from Incred Research.

Pramod Amthe: First question is regard to export markets, you have entered Philippines, you are retailing and also gradually planning for the coming months, What's the volume outlook if you look at a 2- to 5-year perspective, what these markets can bring into you because they seem to be pretty decent size?

Niranjan Gupta: So why, again, it's not our policy to give a volume outlook. But if you look at the first half, we did grow 30% versus the industry growth of 16% as far as the global business is concerned. And therefore that led to an increase in the market share to 6.1% in Quarter 2, which you compare sequentially is up by almost 60 basis points.

And second half, we have the plans to ramp this up even further. We are seeing a good traction coming from markets like Colombia. In fact, Colombia, I must say, delivered their first quarter of a bottom line turnaround. They are cash and EBITDA positive for the first time. And of course, then we see traction coming from Mexico and from some of the other countries as well. There are countries that need to fire more, and that's because of their geopolitical, the economic situation, which is Bangladesh, Turkey, Nigeria. But as it gets sorted out in terms of their economic scenario, that should also aid growth of our global business. I think our focus there -- disproportionate focus on growing the top 10 countries while nurturing the rest of the countries and making selective entries into some of the markets, is starting to play out well.

Pramod Amthe: And the second question is with regard to the quick commerce and usually the way that segment is shaping up, where the entry-level two-wheelers might be used. How are you seeing that? Is there a steady or any grip on what's the size of that market? What Hero product suits there? What's the opportunity for your products, both in the ICE and EV space? Any thoughts in the short and medium term?

Niranjan Gupta: So as far as quick commerce is concerned, you see -- I mean the -- a different parts of this use different types of vehicles, some of them use the entry-level motorcycles, some of them use -- a lot of them use, nowadays, the EV scooters, but some of them use low end, some medium end - - so that, in terms of the shape of the market is developing in terms of vehicle usage. Of course, we have our own institutional business segment, which works on this.

And in terms of product format also, the Vida team is working on a customized B2B format, of course early days there, but that's also in the offing. So therefore, there's institutional business segment in the company which actually works on that. And in fact, to these segments in this festive, we would have probably sold close to around 30,000 vehicles with big buyers being the usual ones who do quick commerce and food deliveries.

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

Pramod Kumar: Congratulations on the very good festive sales what you have seen. Sir, my first question is really related to the buyer behavior because what we've seen, it's probably not only in two-wheelers, but also in other categories that demand going into the season was not strong, and demand really came up very strongly during the festive season because of various marketing efforts and some categories seeing good discounts.

So -- and just trying to understand, is it like are we seeing that the customers like on the ground getting smarter and waiting his purchase for the festive season so that he gets better deals and of course, there's a festive cheer and all of that. Because the reason why I ask this is, like, for example, last year, we had a counter retail of 1.4 million in 32 days. But the entire October, November, December, Vahan retails were a much weaker number in context of 32-day retails of 1.4 million.

So I'm just trying to understand, are we seeing massive bunching up of demand which is happening on the festive season, especially in the rural markets because we are not seeing that momentum in Vahan registration data beyond the festive season as such. And I'm talking about last year as a specific example, because you had a very strong retail last month last year as well. So if you can just help us understand the buyer behavior here.

Niranjan Gupta: Yes. Thanks, Pramod. Good question. And we should meet at some time. It's been quite some time. Let me come to this. First of all, on your question of are the customers getting smarter, we do believe that the customers are the smartest lot. And customers are the king. They are the smartest lot, and we always need to learn something or the other from our customers and equally our -- we respect our competitors as well.

In terms of the buyer, the behavior, I won't say it's anything unusual. In fact, it's not that we were taken by surprise. So we actually built up. If we were taken by surprise, we would not have been

able to sell. So our homework that the teams did, did indicate that this kind of demand may come up, and that's how we planned our production. And that's how we've ensured that the sale happens, and we ended up with the inventory that we would love to, which is 4 weeks at the dealer end.

So I would say it's all planned out. There's a lot of research that goes around. Yes, of course, sometimes people wait. But I won't say that any extra or disproportionate bunching in terms of this festive vis-a-vis any other festive that we talk about. What is different in this festive though is the participation of rural, which has been more given the trend that was.

So I think once you read into that, as the positive aspect that in the run-up to that and the last few quarters, we know that, that there have been stresses on the bottom of pyramid. And that's something that is coming up, which gives positivity, as we said in the beginning of the call, that the rural participation is going up.

Of course, as far as Vahan is concerned, we all know there is a lag and stuff that happens. Key indicators are, which are the states, which are the geographies which have started participating versus earlier. And I think that gives positive indications, Pramod, apart from, of course, the macro fundamentals, which should pay dividend, which I just talked about earlier in the call.

Pramod Kumar:

Okay. No, sorry, I understand that Niranjana. The reason why I ask that, that as per the math, you had like 43,000-odd retails every day on the counter last year. But if I look at the entire December quarter data for Vahan is 1.7 million, just short of 1.7 million, even if I add January, the average retails after the festive drop out like really badly. So I'm just trying to understand that. But nonetheless, I think thanks for the input.

And on the rural, if you can just provide color because what you've seen is, that a lot of dealer feedback is that you've seen traction for EVs gaining in the rural markets -- semi-urban markets, let me put it that way. And even scooters and premium categories taken off in semi-urban markets. So how are you seeing the trend at your end? Because you've got the deepest network by far and a pretty solid portfolio in form of Xtreme now in the 125cc and Vida as well. So if you can just help us understand the changing buyer behavior on the semi-urban market, particularly?

Niranjana Gupta:

Thanks, Pramod. Absolutely on your first one, just to say that I would always think that better follows good rather than bad follows good. So that's been the philosophy that we work on, which is working out well. Portfolio, like what you have said rightly, we've got a very strong portfolio of brands. We do see semi-urban participation coming up.

And like you pointed out, the Xtreme 125 has received a great traction and huge demand. It's been a huge success in our 125cc segment and which plays out both in urban and semi-urban as well. Let me just ask Ranjivjit to just talk about the Xtreme 125cc in particular, how it's doing and you see traction from the various pockets of semi-urban, like Pramod asked.

Ranjivjit Singh:

So the Xtreme 125R, as you've also picked up, has received extremely good traction in the market - the ABS features, the sporty looks and the whole proposition that is there. Firstly, of course, we give it more to the urban markets. But as we saw the demand picking up and we

increased the capacity to 40,000 a month, now it's also gone to the secondary network - It's gone there. And in the festival, it's been one of those products which customers have been demanding and wanting to lay their hands on. So it's done extremely well. Our market share continues to grow in the 125cc segment. And in fact, going forward also, we're going to be touching new highs in October, et cetera as we are seeing the traction and uptake of Xtreme 125. Having said that, there's also Super Splendor that's done well and Glamour, which is also contributing well in its -- in their own regional market. The Xtreme 125 has been now a Pan-India phenomenon.

Moderator: The next question is from the line of Vansh Modi from Svan Investments.

Vansh Modi: Yes. So my question is, sir, on the realization. This quarter, your realization was highest ever. And going forward, do we expect this to be sustained at this level? Or do we see an improvement?

Niranjan Gupta: Vivek?

Vivek Anand: You're right, our realization during this quarter compared to Quarter 1 has improved by almost ₹2,700, right. That's two-wheelers actually contributing ₹1,400 out of which and the balance coming from the parts business. So I think going forward, we also expect that our mix will continue to improve, our spare parts business will continue to improve, and therefore, the realization per unit will continue to improve.

Vansh Modi: And another question is on EBITDA per vehicle. This year -- this quarter, there was almost a 5% improvement compared to the previous quarter. So could you just throw some light on what was the reason for that? And how does it shape going forward?

Vivek Anand: See, I talked about the EBITDA improvement during the quarter, right. And it's largely driven by mix improvement, lower material cost and leap savings. So we had a significant improvement coming from there. And a part of it got invested behind brand building and new businesses.

And going forward, we -- as I talked about earlier -- we've given a certain guidance on margins, which is range bound between 14% to 16%. And we are confident that despite our investment strategy, we'll continue to maintain that range.

Moderator: The next question is from the line of Nitij Mangal from Jefferies.

Nitij Mangal: Can you talk a little bit more about what do you mean when you're saying you're planning to now aggressively invest more into brand building? What are the opportunities? What are the gaps that you're trying to do in terms of brand building?

Niranjan Gupta: What I mean, what we mean there is that, look, over the last couple of years, we have expanded our portfolio. So that job, I would say, in terms of -- now we have 5 brands in the premium segment, which is very important for us to create traction around that.

We talk about Xpulse, Xtreme, Mavrick, Karizma and HD X440. Of course, and we have also announced more variants to be coming up into that. So the portfolio keeps getting stronger and stronger. That's the part. The second thing that we are addressing is the place part of it, which is

where the Premia stores come into play. And you have seen and we have talked about how we are expanding that.

Now the third important element is the power brand, which is, of course we have the portfolio, but obviously, creating power brands out of these brands that we have launched takes time, and that requires marketing investment, awareness creation.

It's more around the media, the communication that should increase the awareness. So there's always a cycle of these because you cannot be doing that at the upfront, the moment the models come out. So all of that, which is what we said is that as we move forward, we will -- we've done the portfolio. It will keep getting stronger. We are well on the way to Premia and now is the time to actually ramp up the brand building, the brand awareness and the communication around these brands, which is what we meant by allocation and investing accordingly.

Nitij Mangal:

Do you have any spend in mind in terms of how you want to take the spend here?

Niranjan Gupta:

I won't like to give a spend guidance. But like Vivek said earlier, we have huge scale. And therefore, last couple of years, we did heavy investment behind EV, EV costs will be coming down. The scale will be going up. The PLI benefits, Swadesh talked about FY '26, will keep getting accrued. So we have a way of generating resources to be able to deploy behind different growth priorities.

And of course, we'll be mindful there in terms of margin guidance. But we do believe that our scale allows us to invest aggressively behind premium beyond this.

Nitij Mangal:

Okay. And the second question is you do seem to have a lot of product launches in the next 6 months. We're talking about 3 new ICE scooters, 3 premium motorcycles. There was some plan for 3 - 4 EV models as well, and an expansion of that portfolio. Can you talk a little bit more about, let's say, especially when you're thinking of ICE portfolio, what are you trying to do differently with these products? What are you -- like other gaps you have identified, especially, let's say, on the scooter and the premium motorcycle side?

Niranjan Gupta:

Yes. So let me take that. For instance, let's take the premium first. So I just talked about that brand. So it's not that next 6 months, we will be launching a new brand in premium. So what we're going to do is we're going to come out with Xpulse 210, which is liquid cooled, and you talked about EICMA, we unveiled there. So you have the details there.

Xtreme, as I said, power brand keeps getting bolstered where Xtreme 160, we then launched 125R, which has done very well. And we want to launch Xtreme 250R. So you can see that the brand gets siblings from across the spectrum and create that. So that's what we are trying to do with that. And similarly, Karizma get it's win again, which is XMR 250 on top of -- so that's the strategy that within the same brands that we have talked about 5 - Now you actually move them with a full portfolio within the brand itself. So that's the strategy there on to premium. So it's clearly in line with what we would have wanted to do and on the timelines.

On the ICE scooter, obviously, the scooter needed a refresh in terms of our portfolio and which is where we've talked about Destini - Full Body Change, and Xoom again, it's again you see the same brand. So how do you create power brand out of Xoom because Xoom is 110. We're going to put Xoom 125, Xoom 160. And again, that's the strategy there that the brand gets traction with 3 models within the brand family.

So that's going to be in the ICE scooter, again within the next 6 months, in fact, probably well before March as we have talked about. And then we've talked about the EV, where we have talked earlier as well where we always said that in EV, we started at the top end. And obviously, the market has moved a lot to a price segment, which is our more affordable range. We've taken a bit of our time. We've been conscious about that in balancing and now we will be expanding to cover the price range there. So there, the strategy is to cover the price ranges, which is on the EV side. So you can clearly see the 3 different strategies playing out in terms of expansion of the portfolio and launching of these products.

Nitij Mangal: And just one more follow-up on this. On the EV scooters, is there a revised timeline for launches?

Niranjan Gupta: On the EV scooter, yes, I mean there's -- Swadesh, I don't think we've revised, but can you just comment on that?

Swadesh Srivastava: We had mentioned that we'll be launching within this calendar year, and we are well geared for that. And we had also mentioned that we will bring -- expanding the portfolio beyond just a price point to new user segments, which is also lined up for next year. We're on to it.

Moderator: The next question is from the line of Joseph George from IIFL.

Joseph George: This is Joseph. Just one question. When you look at the incentives situation this festive compared to last festive, have you seen a big swing? I know you have seen several news flow of -- one is discounting. But unlike last year, we have seen some of the OEMs come and cut list prices, which is quite unusual. So your comments there?

Niranjan Gupta: Yes. I think we covered it in the -- Joseph, in the earlier part of the call as well that it's not hugely disproportionate compared to any other festive when you compare the spend as a percentage of the revenue.

Umang Khurana: I'll just open it up for a moment if there are any final comments before we leave?

Niranjan Gupta: Yes. Let me take that in terms of that. So all in all, I would say that again, repeating once again, good things must be repeated so that they become repeatable and they become scalable in terms of what happens in the future and therefore, the highest ever top line, bottom line, cash and products firing, again, is a testimony to our focus on all the key parameters of a sustainable growth from a future point of view.

We are also excited about all the launches that are upcoming in the -- whether it's in the ICE scooter or the EV scooter portfolio. We are very much focused on cost leadership in EV segment,

which we will see panning out over the next few quarters, which will again allow us in terms of even more investment behind that.

We are also excited about our premium journey where we are expanding the premium or the Premia stores and the portfolio. And as I talked about, that we will be investing behind -- aggressively behind brand awareness and communication to create power brands out of these brands. And of course, our global business has done a good recovery in the first half, second half, we plan to ramp it up more leading into Fiscal Year '26.

And then with impending recovery in some of the countries, that should augur well in terms of our revenue streams which are going to get diversified and scaled up. And of course, our parts business continues to roar. They also registered their highest ever quarter revenue. Our focus in the medium term, beyond continuing to develop our parts business, will be around scaling up accessories and merchandise beyond where it is today. Over to you, Umang. That's what I had to say at the end.

- Umang Khurana:** Thank you so much. I think a very -- thank you for coming in. I'm conscious it's a holiday for most of you. So thank you for sharing your time and have a lovely day and talk to you soon.
- Niranjan Gupta:** Thank you, all.
- Umang Khurana:** Thank you Nirmal Bang. Thank you Rahul, for hosting us.
- Moderator:** Thank you for joining us, and you may now disconnect your lines.