Operator: ...conference call of PhillipCapital India Private Limited. As a reminder, all participant lines will be in 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 the operator by pressing star then zero on your touchtone phone. Please note that this conference is now being recorded. I now hand the conference over to Mr. Amit Hiranandani from PhillipCapital India Private Limited. Thank you, and over to you, sir.

Amit Hiranandani – PhillipCapital: Thank you, and good morning, everyone. Welcome to the Q2 FY27 post-results conference call of Hero MotoCorp Ltd. I would like to thank the management team of Hero MotoCorp Ltd. for giving us the opportunity to host this call. I will now hand over the call to Mr. Nitin {? Vel ?}, who recently joined as Head of the Investor Relations team of Hero MotoCorp Ltd., to take this forward. Over to you, Nitin.

Nitin {? Vel ?} – Head of Investor Relations: Thank you, Amit. It is an absolute pleasure to be hosting my first earnings call for Hero. Good morning, everyone, and welcome to the Q2 FY27 earnings call for the fiscal year ending March 31, 2027. We put out a press release and an earnings presentation announcing the results yesterday. A copy of the press release and the earnings presentation is now available in the Investor Relations section of our website.

With us on the call today are Mr. Harshvardhan Chitale, our CEO; Mr. Vivek Anand, our CFO; Mr. Ashutosh Varma, Chief Business Officer, India Business Unit; Ms. Kaushalya Nandakumar, Chief Business Officer, Emerging Mobility Business Unit; and Mr. Ashish Dua, Chief Business Officer, Premium Business Unit.

Please note that our safe harbor statements are contained within our presentation and other materials available on our website. These statements are important and integral to all our remarks.

We will begin the call with opening remarks from Harsh and Vivek, followed by a Q&A session. With that, let me hand over to Harsh.

Harshvardhan Chitale – CEO: Thank you, Nitin, and welcome to Hero MotoCorp Ltd. Good morning, everyone, and welcome to this earnings call. Before I begin with my prepared remarks on our business and financial highlights, I would like to wish you all and your families a very happy and prosperous Diwali in advance. To those of you who are also celebrating Karwa Chauth, best wishes on Karwa Chauth.

We ended H1 FY27 with strong revenue growth of 28% and profit after tax growth of 16% year-on-year. Vivek will provide a detailed review of our financial performance for Q2 as well as H1, both standalone and consolidated.

Let us begin with what we see happening in the industry as a whole. Q2 was another strong quarter for the two-wheeler industry, with VAHAN retail growing by over 27%. ICE grew 23% and EV grew 82%. Growth continues to be broad-based. Since this question is asked often and is very topical right now, we see growth in both urban and rural markets. When I look at HMCL's performance, our rural performance was equal to or better than our urban performance last quarter as well as in this quarter, quarter-to-date.

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For H1 FY27, this industry growth also translated into strong retail growth of over 20% year-on-year. For those of you who want to understand the impact of pent-up demand from GST, to remove that impact, we also looked at the growth over a 2-year period. Over the 2-year period, it was an 11% CAGR, which shows that the industry as a whole has healthy growth momentum even after discounting the impact of pent-up demand.

With the festive season underway, we see demand fundamentals continuing to hold up, and we expect the industry as a whole to deliver mid- to high-single-digit growth during the festive period. We are already seeing that in the festive-to-date performance.

Let us now move to Hero MotoCorp Ltd.'s operational performance. We continue to execute on the key pillars of our business strategy of expanding market share in fast-growing segments of the two-wheeler industry. I am happy to report that with this execution, we gained VAHAN market share in our ICE portfolio every month of the last quarter. In all 3 months, we gained VAHAN share every month. Our ICE retail sales outpaced industry growth, recording strong growth of 24% year-on-year during the quarter.

Let me highlight some of the key drivers behind this performance. Scooters were a major contributor to this growth, and our scooter portfolio continued to gain traction, with a fifth consecutive quarter of year-on-year expansion in our market share. In some of the key markets in the South, which are large scooter markets, our ICE scooter market share has now crossed the 10% level, and we are rapidly scaling our products in other regions.

Our ICE scooter dispatches grew 34% year-on-year in Q2, and for the full half year, dispatch growth was in excess of 50%. If you look at how the business mix for scooters has grown over the last 2 years and compare the corresponding quarters, scooters as a proportion of our entire business mix have now increased by 3 percentage points.

Moving to 100cc motorcycles, this is also a question we receive quite often: the company has a large exposure to this category, so how is the category performing and is it underperforming relative to the rest? In Q2, we saw 10% growth in the 100cc category as a whole, and in H1, we saw 11% growth. This category also continues to expand and contribute to our business performance. Splendor has grown by over 20%. It is also interesting to note that Splendor's XTEC variant, which is the premium variant of Splendor, now contributes over 25% of Splendor volumes.

Moving to our EV portfolio, retail sales of Vida grew by 105% year-on-year, and we gained 170 basis points of market share in H1 FY27. Earlier this fiscal year, we launched new variants of Vida, the VX2 Go 3.1 kWh and VX2 Plus 4.4 kWh, and both of these products are bringing a new set of customers to our dealerships. We also expanded our capacity to 30,000 units per month in September. To remind everyone, we were at 15,000 units per month at the end of the last fiscal year, so we have already doubled the capacity, and we are well on our way to taking it to 45,000 units per month in Q4. Looking at the demand we are seeing, we have already started further expansion, which will take our capacity to over 80,000 units per month by Q2 of the next financial year.

Our dealer inventory continues to be low. We are working with dealer stock of just about 1 day, which shows that we are still capacity-constrained and that there is strong demand for our products even during this festive period.

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Let us move to the parts business. Our parts business recorded revenue growth of 27% year-on-year during this quarter. This is the second quarter in a row in which we have seen growth in excess of 25%. As you all know, this is a major contributor to our profitability. Growth was driven by increasing volumes in our EV parts portfolio, the Harley-Davidson parts portfolio, accessories, and the performance of parts and accessories in our exports.

Looking at this growth momentum in our parts and accessories business, we announced the greenfield expansion of our Global Parts Center 2.0 to cater to parts availability for both Indian and global markets. We are investing over 700 crores in setting up a completely new automated parts center and doubling our parts-handling capacity from its current level.

Moving to the global business, this is one business where we did face some logistical challenges in some of our key markets. We have very high exposure to one of the Latin American countries, which unfortunately faced a devastating earthquake this quarter. We did have issues with dispatches and customs clearance in that market. We also saw a demand slowdown in Bangladesh, with a sharp increase in fuel prices due to the ongoing Gulf War. Both of these affected our dispatch or wholesale growth in exports. However, we are encouraged by the fact that our retail sales grew by 19% during this period. Retail momentum is strong; it was the logistical challenges that affected our dispatch growth. We are confident that we will return to dispatch or wholesale growth in our exports in Q3.

Moving to our premium portfolio, as you all know, we carved out a Premium Business Unit in Q2, and we announced our new Chief Business Officer for this business unit, who is also on this call and could answer some of the questions later in the Q&A. Under the new organizational setup, we recently launched 2 key product refreshes in October, the Xtreme 160R and Xtreme 250R. Both of these motorcycles are the fastest in their respective segments and come with a host of segment-first features.

Our Xpulse franchise within this portfolio continues its strong growth trajectory, recording over 30% retail growth in the first half of FY27 and market share of over 35% in the adventure bike segment.

We will continue to address the white spaces in our premium portfolio through further launches, and you can look forward to 3 to 4 key launches in the remaining part of this financial year in our premium segment.

In summary, we are encouraged by the results we are seeing and by the performance across our various strategic initiatives. We remain focused on fast-tracking execution across each growth vertical. We will continue to invest in new products, behind our key brands, and in capacity expansion. With that, I will hand over to Vivek to walk us through our margin performance, cash flow performance, and so on. Vivek, over to you.

Vivek Anand – CFO: Thank you, Harsh. Good morning, everyone, and thank you for joining our Q2 FY27 earnings call. Let me start by extending festive greetings to all of you and your families. I trust that everyone has reviewed our financial statements and the investor presentation. Let me walk you through the financial performance for the quarter.

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Starting with the financial highlights, our headline number for Q2 reflects strong top-line performance, with revenue from operations at Rs 14,687 crores, up 21% year-on-year. EBITDA grew 8% year-on-year to Rs 1,968 crore, while profit after tax stood at 1,456 crores, up 5% year-on-year.

Total wholesale volume expanded by 10.5% year-on-year, driven by 8.4% growth in our ICE business and robust 98% growth in our EV business. This strong wholesale growth reflects the strength of the underlying demand trends across both urban and rural markets as we prepare for the ongoing festive season.

Revenue continued to outpace volume growth, at 21% versus 10.5% wholesale growth. This outperformance reflects portfolio premiumization, led by an increasing share of ICE and EV scooters, with premium variants contributing a 5% positive mix impact, equally supported by calibrated pricing.

Moving to cash flow, cash flow from operations in the quarter stood at Rs 2,159 crores, nearly doubling over the prior comparable period, driven by optimization of working capital. Within working capital, we had record-low receivables in the previous quarter.

Moving to the consolidated results, revenue for the quarter increased by 23% year-on-year to Rs 14,971 crores, and PAT grew by 41% year-on-year to Rs 1,861 crores. The results for the quarter include a Rs 397 crore one-time gain from the equity consolidation of an associate company following its capital raise through a QIP and private placement.

I will now move on to margins and cost management. During Q2, the industry continued to face headwinds from broad-based commodity inflation. As you know, this affected steel, aluminium, plastic, rubber, and freight, and was further amplified by currency depreciation. To mitigate these cost headwinds, we continued with our 4-point action plan.

First, as you can see in our presentation, our mix now has a higher share of premium variants, further supported by strong revenue growth in our parts, accessories, and merchandise business.

Second, we accelerated savings under our LEAP program, continued to curtail discretionary spending, and drove operating leverage.

Third, we implemented judicious pricing across select models in select markets.

Finally, we worked aggressively on improving the unit economics of our EV portfolio, and I am happy to report that our Vida business turned gross-margin positive in the quarter. This was achieved ahead of our earlier guidance.

At an aggregate level, while gross margin compressed by 30 basis points quarter-on-quarter, strict overhead control and operating leverage drove a 10-basis-point quarter-on-quarter expansion in EBITDA margins to 13.4%.

I will briefly talk about the EMBU business now. Our Vida business [cut off]

Vivek Anand – CFO: ...maintained strong operational momentum, with retail volumes rising 74% year-on-year to 66,000 units in the quarter. This was supported by our monthly production

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ramp-up to 30,000 units in September and portfolio diversification across broader price points.

The Vida business continued to improve its unit economics, resulting in the business becoming gross-margin positive during the quarter. This led to optimization of 70 crores in spending over the previous quarter. This was again possible through a series of initiatives: structured BOM cost optimization, healthier margins across our new product launches, acceleration of non-vehicle and software revenue streams, judicious price increases across the portfolio, and PLI accruals amounting to 63 crores recognized during the quarter.

Approximately 70% of our EV portfolio received PLI in the quarter, and I am happy to report that we had already received PLI certification for nearly 100% of our portfolio in October 2026.

I will move on to capex now. Turning to capital expenditure, we remain on track with our full-year guidance of 1,500 crores. In H1, we had already deployed close to 600 crores towards our key projects. We had already expanded our capacity in Splendor and doubled our ICE scooter capacity to 80,000 units per month. Our EV capacity was also being increased to a run rate of 30,000 units per month, and we were actively working to scale our production further to 45,000 by Q4. We had also expanded the dedicated premium assembly line at our Neemrana facility. We were advancing the Phase 2 expansion of our Global Parts Centre 2.0 at Tirupati and expected the GPC 2.0 to be fully operational by the end of the next calendar year.

Looking ahead to Q3 FY27, due to the extended West Asia conflict and sustained commodity price inflation, we expect input-cost inflation pressure to persist. However, we will neutralize this through continued cost rationalization, an accelerated LEAP savings program, aggressive improvement in Vida unit economics, and judicious pricing actions. Backed by these measures, we expect margins in Q3 to remain stable.

Over the medium term, our primary focus remains driving EBITDA growth while steadily progressing towards our target EBITDA margin corridor of 14% to 16%. Going forward, our investment behind growth will continue, both in terms of capacity expansion and brand building, to support our premium, scooter, EV, and global business portfolios.

Thank you once again for your time and continued support. On that note, let me open the floor for Q&A. Over to you, Nitin. Thank you.

Nitin {? Vel ?} - Head of Investor Relations: Thank you, Vivek. Madam, you may now open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Amyn Pirani from J.P. Morgan. Please go ahead.

Amyn Pirani - J.P. Morgan: Yes, hi. Good morning, and thank you for the opportunity. My first question was on exports. As you rightly mentioned, you had some challenges in some markets.

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Unlike your peers, at this stage your export distribution is more concentrated towards specific regions. Can you help us broadly understand how the major markets or regions contribute? For example, how large are Colombia, Sri Lanka, and Bangladesh? I am asking because it would help us get some context. Given your distribution, one or two markets having challenges can impact your volume, which does not happen with your peers. At the same time, when those markets normalize, the recovery can also be equally sharp. Some context there could be very helpful.

Harshvardhan Chitale – CEO: That is a great question, Amyn. In Colombia specifically, we have close to 25% of our exports business, so we have very high exposure, and the same is true of Bangladesh. In both markets, we are also very strong in terms of market share. Therefore, there is a strong contribution to our exports, with strong performance and share in those markets. When those 2 markets happened to face challenges in the same quarter, we were not able to compensate for that with the remaining 50%. We have been announcing expansions into various other countries, but we are yet to scale them up to achieve good distribution and reduce portfolio concentration in exports. The good news is that we are already seeing recovery by the end of the quarter in both Colombia and Bangladesh, and we are continuing to expand our presence in the other markets where we have entered.

Amyn Pirani – J.P. Morgan: Great. That is very helpful. As a follow-up, can you give us a broad timeline for when we could have a more balanced distribution? Which 2 or 3 markets, apart from these existing markets, could become very important over the next 12 to 18 months?

Harshvardhan Chitale – CEO: That is a great question. We are looking at expanding in Brazil. As we had shared earlier, we are also setting up a manufacturing facility in Brazil. We also have a good portfolio of flex-fuel vehicles, which is what is needed for that market. Brazil is therefore a major market in which we are expanding. We are also increasing our presence in Mexico. Both of these are large Latin American markets when it comes to two-wheelers. We are also expanding through new launches and new country openings in Africa. That is a major market for some of our peers, and we are extremely underrepresented in Africa. We will therefore be expanding there, starting with launches this month. Africa will be another territory of expansion.

Amyn Pirani – J.P. Morgan: Great. If I can ask one last question, on the domestic 125cc portfolio, market share has improved, but it is still a slow recovery from the way we see it. The 100cc category has done very well, but the 125cc category is also going to see many more introductions. Can you provide some context? For example, how is the Xtreme performing, and how should we expect the 125cc market share to develop going forward?

Harshvardhan Chitale – CEO: I will first give some comments and then hand over to Ashu, our Chief Business Officer for the India business. In H1 as a whole, we grew 19% in 125cc, and as you rightly pointed out, we gained significant market share. However, the category as a whole has not grown or performed as well relative to some other categories. With inflation and increases in prices, along with a greater focus on fuel economics and fuel efficiency, we see some customers moving to 100cc, which is why you saw strong momentum in 100cc. Some customers are potentially moving up, with the GST impact being favorable for 150-160cc. Some of these factors have therefore affected the category. However, as you saw, we still grew 19% in H1 and gained share. Within that, Ashu, would you like to provide some color on our different brands?

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Ashutosh – Chief Business Officer for India Business: Sure. Thanks, Harsh. Hi, Amyn. As Harsh said, we have seen significant market-share gains in this category. From a brand perspective, Glamour, with its new variants, is growing by more than 50%. That has been a major boost. We have just launched a new variant, the Canvas, which is being very well accepted across markets. Xtreme also has new variants that we are just about to launch. Hopefully, they should be available in time for Dhanteras-Diwali. Some of the new features that we introduced in Super Splendor have also been well accepted, especially in the geographies where Super Splendor performs well, particularly the rural market.

We have been moving up consistently, from number 3 to number 2 in this space. We are very confident that with these new models, we will continue to gain share and become stronger.

Amyn Pirani – J.P. Morgan: Thank you, Ashu. Thank you. I will come back in the queue.

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

Gunjan Prithyani – Bank of America: Hi. Thanks for taking my questions. My first question is to get some numbers on the P&L side. Can you share the EV revenues and the typical drag at the EBITDA level, which has been around 200 crores for the last couple of quarters? Can you provide some sense of where we are on those numbers, both revenue and drag? Also, Vivek, can you provide some context on the magnitude of commodity inflation we saw in Q2?

Vivek Anand – CFO: Hi, Gunjan. Good morning. Your first question is on the EV drag. That was almost 168 crores in Q2, down from 232 crores in Q1. In my opening statement, I called out that this drag had come down by 70 crores quarter-on-quarter. The EV revenue during Q2 was 1,000 crores. The third part of your question was about the material inflation we saw, which was almost 1% quarter-on-quarter.

Gunjan Prithyani – Bank of America: To be clear, on the 1,000 crores, the PLI we are currently receiving is roughly 6%, and only 70% of the portfolio qualifies for PLI. As revenue scales up, should we reach close to 10% as a PLI contribution to revenue by the end of FY27? Is that the way to think about it, with the portfolio also increasing and the rates also going up? How should I think about the PLI?

Vivek Anand – CFO: You are right. This quarter, it was around 63 crores, which is almost 6.5% of our revenue for the quarter, and it covered almost 70% of our portfolio. As I said earlier, we now have PLI certification for almost the entire portfolio. Starting in Q3, you will see almost 13% of our revenue translating into PLI benefits, starting this quarter. As we scale up, the amount of benefit will grow along with it.

Gunjan Prithyani – Bank of America: Got it. That is helpful. My second question is on scooter capacity. You clearly called out the EV Vida capacity. On the ICE side as well, traction has been quite strong over the last couple of months, and the number for the last month was particularly strong. Can you provide some sense of which variants are doing well, where we are in terms of channel stock on the ICE scooter side, and where we see capacity expansion and market share for ICE scooters specifically?

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Harshvardhan Chitale – CEO: In the first half of the year, we spoke about significant expansion in ICE scooter capacity as well to support this growth. In Q1, we expanded the capacity of Destini. In Q2, we expanded the capacity of our other brand, Xoom. Together, the capacity expansion is nearly doubling on a year-on-year basis. That is how we are now close to 80,000 units per month of capacity.

Both brands, Destini and Xoom, have performed very well, in line with what we expected when we undertook that capacity expansion. Within that, Xoom 160, which is the maxi-scooter, or the SUV of the scooter portfolio, so to speak, is performing exceptionally well. Channel stock has been hovering around single-digit days. We are therefore further defining and boosting our capacity there.

Gunjan Prithyani – Bank of America: Is there a need to add more capacity on the ICE scooter side? Are you seeing more demand? Capacity has almost doubled, but are you seeing further appetite and a need to add more to the ICE scooter capacity as well?

Ashutosh – Chief Business Officer for India Business: Clearly, Gunjan. Hi, Ashutosh here. Overall, we seem to be winning in the toughest battlegrounds, which are highly scooterized markets, and gaining market share. So far this year, we have had almost a 160-basis-point increase in market share, along with several quarters of market-share gains. Xoom 160 is doing very well for us across India. We are ramping up capacities as we speak. Destini was the first model for which capacity came onstream, and we have been able to spread it across the country. The new Destini 110 variant is doing very well in certain pockets that are strong 110cc metal-body markets.

Overall, we are seeing strong traction, and we feel that the growth we have seen so far, which is above 50%, should continue as we move forward.

Harshvardhan Chitale – CEO: On your question about further capacity expansion, Gunjan, you are right. We are specifically planning to further expand Xoom capacity because we have also taken that model into our overseas markets, where it is seeing great traction.

Gunjan Prithyani – Bank of America: Got it. Thank you so much. It is good to see the scooter business scaling up over the last couple of quarters. I will join the queue again.

Operator: Thank you. The next question comes from the line of Chandramouli from Goldman Sachs. Please go ahead.

Chandramouli – Goldman Sachs: Hi, good morning, and thank you for taking my questions. My first question is a follow-up on exports. You mentioned logistical challenges and some single-market issues that you had to work through during the quarter. Looking ahead to the second half, how is the shipping situation developing in terms of logistics? Do you expect some of this lost wholesale volume to return, given that underlying retail volume in these markets is holding up?

Harshvardhan Chitale – CEO: Yes, we do expect to return to growth. In fact, our expectation is to return to double-digit growth in Q3 and Q4. The logistical challenges were not necessarily related to the availability of container capacity. They were more related to ports and clearances in the market affected by the earthquake. Operations there have now returned to normal. We therefore

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expect a quick recovery starting in Q3.

Chandramouli – Goldman Sachs: That is helpful. My second question is more of an industry question. We have seen mid-teen or high-teen volume growth in two-wheelers in India in the first half of this fiscal year. As we head into the second half, I want to understand your thoughts on what would be the optimal growth for the industry, considering that it is facing a particularly high base from last year. How are you thinking about what growth will look like in H2?

Harshvardhan Chitale – CEO: Based on what we see today and our planning for H2, we are still looking at mid- to high-single-digit growth in H2. ICE will also grow, at a low-single-digit rate, while EV will take the industry to high-single-digit growth. As I see it in the quarters and during the festival, which is a major period, we see that momentum continuing.

Chandramouli – Goldman Sachs: That is helpful. My last question is on the electric two-wheeler business. It is encouraging to see a visible pickup in electric two-wheeler market share over the past 3 to 4 months after the launch of the affordable electric two-wheeler. Some of your peers have commented that there might be supply-chain challenges in the electric two-wheeler business, given the spike in industry growth over the last few months. How are you thinking about the supply-chain situation and the plans for further growth of the EV product?

Harshvardhan Chitale – CEO: The industry as a whole is definitely capacity-constrained right now. There is far more demand. Whenever anyone brings capacity online and the product is good, there is an immediate increase in share. We saw that, for example, in September and October. In October month-to-date, our market share is hovering close to 13.5% to 14%, which is a further increase because our additional capacity came online.

This capacity constraint across the entire industry is definitely a phenomenon. We are working to rapidly expand capacity with our suppliers and key component suppliers. That is how we see the 30,000 units where we are now moving to 45,000 units over the next few months.

On your other question regarding entry, while we entered with a fixed battery pack, which was a more competitive price point, we also introduced a very premium variant, our 4.4 kWh removable battery-pack variant. Incidentally, that is the one performing the best. There is currently significant demand for our premium products. When I look at our EV business mix, it is now far more premium, and that is also reflected in our non-product revenues.

As you saw in our investor deck on the website, we are also rapidly expanding our software subscription revenue through a pack called VIDA Edge. There are also parts and accessories associated with these premium e-scooters. We are therefore seeing good growth in non-product revenue in VIDA as well.

Chandramouli – Goldman Sachs: That is helpful. Thank you very much, and all the best.

Harshvardhan Chitale – CEO: Thank you.

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

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Kapil Singh – Nomura: Good morning, sir. My first question is on the financials. We see fairly strong revenue growth and volume growth for this quarter, but other expenses have declined. Could you talk us through how you have achieved these cost efficiencies and whether they are sustainable? When can we expect to return to the guided margin range of 14% to 16%?

Management: Thank you, Kapil. Good morning. Other expenses declined largely because of the discretionary expense cuts we undertook during Q2. Budget cuts were imposed to mitigate the impact of raw-material inflation. That was the first part of your question.

Regarding when we expect margins to return to our guidance range, let me start by saying that the current commodity phase continues to be volatile, as we all know, and we all believe that it will normalize. We are committed to progressing towards our medium-term EBITDA range of 14% to 16%. As you know, we have a highly diversified business, with an improving mix towards higher premium variants and a fast-growing PAN business, which we briefly discussed.

We will continue to improve the unit economics of the EV business, and I briefly discussed the progress we made in the previous quarter. We will continue to improve the scale of the global business. We will continue to accelerate LEAP savings, and we will continue to implement calibrated pricing actions. Therefore, we expect to achieve our target range in the next few quarters, as the commodity cycle stabilizes and raw-material inflation returns to normalized levels.

Kapil Singh – Nomura: Thank you, sir. My other question is on rural demand. You alluded to it briefly, but given the news flow we have heard about drought in the South and in Maharashtra, what are you observing in the rural market? Is there a risk to growth there? Some color would be helpful.

Management: Thank you, Kapil, for that question. I will reiterate what Harsh said. Rural demand is as good as, if not better than, urban demand, based on what we are seeing. Some of the reasons we think this has occurred are that, possibly before the start of the festive season and before the onset of the monsoon, there were apprehensions about how El Niño would develop. Fortunately, it has not been as bad as people thought it would be.

There are certain parts of the country that are facing drought conditions, but if you look at overall sowing, it is almost at the same level as last year. Rural demand therefore seems to be holding up very well. It is holding up even better in certain geographies. As the rest of the festive season unfolds, we expect this to become even stronger and help us overall.

Kapil Singh – Nomura: Thank you, sir, and best wishes to the entire team for the festive season.

Management: Thank you.

Harshvardhan Chitale – CEO: Thanks.

Operator: Thank you. The next question comes from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar – UBS Securities: Thank you for the opportunity, sir. My first question is on the entire volume-margin conundrum. Over the last few years, Hero has been losing market share because we are more indexed to the commuter motorcycle category and less to the faster-growing

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categories. You are doing a very good job on EVs, and I would like to acknowledge the market-share gains you have achieved. How should we understand the roadmap for the company as you take a call over the next 2 to 3 years? What is the priority: market share or margins?

Given that scooterization and EVs are accelerating, as you have stated, it appears that they will come at the expense of the commuter category in terms of its percentage of the industry's mix. I am not necessarily saying that commuters will decline, but they will likely underperform in terms of growth while other categories grow faster, and we are challengers in many of those categories. How should we look at this conundrum?

Historically, we have seen many companies choose market share outright because that is crucial for the company, its stakeholders, and everyone, including the dealer. I keep hearing that you want to return to margins of 14% or more very quickly. At the same time, we are seeing reductions in other expenses and discretionary spending, which may not necessarily be good for investments in brands and the business. I am trying to reconcile whether the short term is what is important or whether you need to take the necessary pain in the near term for the long-term benefit of the company. Harsh, could you share your broad thoughts?

Harshvardhan Chitale – CEO: Sure. Pramod, thank you for the question, as it allows me to clarify this if it is creating doubts. We are clearly focused on growth and market-share expansion. We are not going to compromise on or cut down investments needed to drive growth and market-share expansion.

You saw that in Q2, which was a good example. It was probably the quarter in which we saw the full impact of the commodity-cost increases that started at the end of February. Despite that, we gained VAHAN share in every month of the quarter. We have remained focused on continuing to invest behind growth, and that is what we will do.

Vivek mentioned that we will return to the target range over the next few quarters, not in the short term, and he described the various levers that will make it happen. Those levers are not discretionary spending cuts or reductions in the investments required for growth. They are improved unit economics of products, greater volume leverage, and our LEAP cost savings, which is a BOM cost-reduction program that we run. Those are the levers, not cutting down on investments needed for growth. We are extremely focused on driving growth and market-share expansion.

Pramod Kumar – UBS Securities: Thank you for that. It is good to hear, because it is normally very challenging to get everything right. My second question is on the festive trends. VAHAN is clearly showing moderation across categories, which I think is also due to the very strong base from last year and El Niño. How are you viewing retail trends from your vantage point, and do you expect your retail market share to improve significantly from here?

At this point, we are tracking reasonable market-share losses on a day-on-day, like-for-like basis during the festive period, and the base becomes more challenging as we approach Dhanteras and Diwali. What is your reading of retail market-share trends for yourself, particularly during this festive period, given that EVs have performed well and premium products continue to perform well?

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My last question is: over the next 2 to 3 years, where do you see scooters plus EVs as a category at the industry level? It is currently around 41%. Some of your peers are indicating 45% and then 50% by FY29. What is your assessment?

Harshvardhan Chitale – CEO: The definition of the festive period can vary by company depending on its product and geographic mix. For us, the festival started with the Ganesh festival. There was Onam, there was the Ganesh festival, and so on. Our festival period therefore runs over 100 days. Based on how we are tracking our festive performance to date, we have seen growth of 24%.

This is also a good way to look at it because it covers the period from before the GST impact to after the GST impact. Otherwise, one gets into the situation where, right at the start of Navratra last year, the new GST came into effect, and a significant amount of pent-up demand immediately resulted in sales last year, which skews the base. Looking at this broader period gives us a good indication. We have seen 24% growth on this broader definition of the festival, and we are not seeing any share erosion. It is therefore a question of which period you look at.

We expect market-share performance to strengthen further as we move towards Dhanteras, which is traditionally a major period for us. We therefore do not have concerns on that front.

Coming to your second question about the overall scooter mix, the category comprising ICE and EV has definitely increased, and we expect that increase to continue. Whether it will reach 44%, 45%, or 47%, time will tell. I do not want to speculate on that. However, we do endorse the trajectory of the category share increasing.

Pramod Kumar – UBS Securities: Thank you, sir, and I wish you all the best.

Operator: Thank you. The next question comes from the line of Arvind Sharma from Citi Group. Please go ahead.

Arvind Sharma – Citi Group: Good morning, sir. Thank you for taking my question. My first question is on premium bikes. While the Xtreme portfolio has been launched, there have been a few brands or models that were present and were subsequently phased out. Karizma is one name that comes up, along with some others. Premium-bike market share has always been an area you have identified as a key focus. Will it just be the Xtreme, or could there be more nameplates and models in the premium-bike segment? That is where the share is still low. That was my first question.

Harshvardhan Chitale – CEO: In premium, we are looking at 4 brands as our drivers of growth. Xtreme is one, but also [trails off]

Harshvardhan {? Shitole ?}: Xpulse, which is the adventure bike for on- and off-road riders. We also have Karizma, where you will see some good refreshes and new category-expansion launches. Then, of course, there is Harley-Davidson, with our co-developed products under our partnership with Harley. Across all 4 brands, you will see new launches and portfolio expansion.

Arvind Sharma – Citi Group: Got it, sir. My second question is on the EV segment. I have one numerical clarification. Over the last few quarters, you have discussed the margin drag on the business and called out the ICE margin. Could you tell us what the like-for-like ICE margin is? I will then follow up with my question.

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Harshvardhan {? Shitole ?}: [pause] The margin drag is about 220 basis points if you look at the total drag at the company level.

Vivek Anand – CFO: In the previous quarter, looking specifically at the ICE portfolio, EBITDA margins were stable sequentially at 15.6%. So it is around 200 basis points.

Harshvardhan {? Shitole ?}: Yes.

Arvind Sharma – Citi Group: Understood. Going further in this segment, it is good to know that the business is gross-margin positive, but some peers are becoming almost EBITDA-margin positive. Can you derive some synergies from our associate companies?

Harshvardhan {? Shitole ?}: You are right. We still have some distance to cover before becoming EBITDA-positive. We also started somewhat later in expanding the Vida portfolio. Therefore, we are still in the phase of completing our portfolio and investing in the brand as well as the product portfolio, which means our expenditure there is much higher. There is also a scale effect. Once volumes reach a certain level, some of the fixed costs and related expenses start coming down. We therefore still have some distance to cover before becoming EBITDA-positive.

Regarding synergies with associate companies, the first obvious area is charging infrastructure. We now have over 6,000 charging points nationally. We have started monetizing them, by the way. It is not only a differentiation; charging is now also being monetized.

With some of the other associate companies, such as Euler, which has a completely complementary portfolio, we are also creating synergies in go-to-market activities. There are therefore synergies of that nature.

With respect to Ather, we have not explored synergies on the product front at this stage because, as we explained last time, the market is still in a phase of rapid expansion. We do not want any of the brands or our R&D teams to be constrained in expanding the portfolio and expanding share. Perhaps sometime in the future, when the market reaches a higher level of growth and maturity, there could be additional synergy levers to explore.

Arvind Sharma – Citi Group: Thank you very much for the answers. That was all from my side. Thanks again.

Operator: Thank you. The next question comes from the line of Raghunandhan from Nuwama Research. Please go ahead.

Raghunandhan – Nuwama Research: Thank you for the opportunity. Festive greetings, and welcome also to {? Nitin Dave ?}. Harsh sir and Kaushalya, it is good to see EV market share at 14% in October, considering that EVs seem to be the future. How do you see the medium-term journey towards increasing market share to the company's blended share of 27% in EVs? Can you indicate the medium-term efforts in terms of new products across use cases, across scooters and motorcycles, and possibly innovations such as battery-as-a-service, software, and competitive pricing? Please share your thoughts.

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Harshvardhan {? Shitole ?}: We aim to continue expanding our EV market share and to emerge as a leader in EVs. We are quite open and bold about that. You have actually described some of the levers we will use to get there. Kaushalya, would you like to add something?

Kaushalya: Hi, Raghunandhan. I apologize; I have somewhat lost my voice, but I hope I am audible. First of all, season's greetings to everyone on the call. Raghu, you have more or less touched on all our growth levers. In our investor deck on our website, we have also discussed how we are expanding both our revenue share and our path to profitability.

In terms of market share, the market is currently supply-driven. We are very pleased that we have almost doubled our capacity in the first half of the year. As Harsh mentioned earlier, we are also looking to further enhance capacity towards the last quarter of this year, so we are extremely bullish. We are pressing on every lever in terms of investments, brand-building focus, and portfolio expansion.

In this half of the year itself, we have launched 2 very good variants, both of which have found an excellent product-market fit. One is at the top end of the series, the 4.4 kW variant, and the other is in the mid-range mainstream segment, the 3.1 kW variant. We are committed to continuing to listen to consumers and customers, take their feedback, and expand the portfolio to meet their demands. We also continue to invest in capacity to meet our ambition in this space.

Raghunandhan – Nuwama Research: Thank you. Harsh sir also spoke about the new 4 kW variant receiving a very good response. Can you broadly indicate the mix between 2 kW, 3 kW, and 4 kW? How is the premiumization developing, and how are customers thinking about it?

Kaushalya: This is a new-variant introduction, so in terms of customer traction, we are seeing many inquiries for the top end. However, we are also seeing a good distribution of inquiries across the ranges. Consumers are looking for products that broadly fit their daily range requirements, from approximately 75 km per day, which is what our 2.2 variant offers, all the way to close to 140 km, which is the top end.

We are seeing good traction. It is still too early to comment on the stable mix, but we are seeing the premium range now account for close to 40% of the overall Vida portfolio.

Harshvardhan {? Shitole ?}: To build on what Kaushalya said, one thing we should highlight, which is also included in our investor deck on the website, is that we are currently selling or retailing Vida through around 700 retail outlets, with regular supplies available to perhaps 450 of them. When you put that in the context of our nearly 8,500 points of sale, there is a great deal of retail expansion still to come, which will further drive growth.

One of our biggest strengths is our large go-to-market network in every part of the country. As we start scaling up our Vida capacity, you will see more and more of these outlets also being opened.

Raghunandhan – Nuwama Research: Thank you, sir. That is very helpful. Vivek sir, you said there would be a small increase in commodity costs in Q3. Approximately how much could the inflation impact be? What has been the cumulative price increase so far, and are you planning any further calibrated price increases?

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Vivek Anand – CFO: In Q2, we had material-price inflation of around 1%, as I said. We covered a large part of it through cost-saving programs and calibrated price increases. That was the first part. Could you repeat your second question?

Raghunandhan – Nuwama Research: I was asking approximately how much the cost inflation could be in Q3, what the cumulative price increase has been so far, and whether there are plans for further price increases.

Vivek Anand – CFO: In terms of price increases, in Q1 and Q2, as I said earlier, our inflation was around 5.5%, and we took half of it as a price increase. In Q3, as you know, commodities continue to be volatile, and we expect a marginal uptick in input costs. However, we will counter those headwinds through continued cost rationalization, accelerated LEAP savings, aggressive improvement in Vida unit economics, and targeted pricing actions. Backed by these measures, we expect margins to remain broadly stable.

Harshvardhan {? Shitole ?}: We also took a price increase on October 1.

Vivek Anand – CFO: Yes, we took a price increase in October.

Raghunandhan – Nuwama Research: How much was that, sir?

Vivek Anand – CFO: It was approximately 1,000 per unit.

Raghunandhan – Nuwama Research: Noted, sir. Thank you. This was very helpful. I wish you all the best.

Operator: Thank you. The next question comes from the line of Yash Agarwal from Nirmal Bang. Please go ahead.

Yash Agarwal – Nirmal Bang: Good morning. Thank you for the opportunity. My first question is for {? Ashutosh ?} sir on Hero's premium segment. Despite the recent product launches and increased focus on premiumization, the segment has not gained the expected traction. What are the key factors holding back growth, and what specific steps are we taking to accelerate adoption and strengthen our position in that segment against competitors?

Management: Thank you, Yash. You are absolutely right. So far, market share and the results have not been great, but that also shows how much headroom we have to grow. I must share the recent 2 launches that Harsh mentioned, the Xtreme 160 and Xtreme 250. The feedback from the media rides has been excellent, and the initial uptake and inquiry levels at dealerships are also encouraging.

Xpulse has proven to be an excellent volume generator for us. It was previously more concentrated in the South, but other zones of the country have now also started showing significant interest in Xpulse, which will be another very strong brand for us in the premium segment.

The Premia network, which we started opening around 2 years ago, has now reached approximately 150 stores. There will be rapid expansion across other cities and all major cities where the premium-segment business is significant. That will be a major focus.

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This expansion will also be supported by community-building efforts across all these Premia dealerships, which will begin in a very structured manner from December onwards. Taking all these levers together, we are very confident that we will grow our premium-segment business significantly. As I said, there is substantial headroom for us to grow.

Yash Agarwal – Nirmal Bang: Thank you, sir. My second question is on the EV segment. We have seen scooter penetration in EVs approach 23% to 24%. What is the current level of EV penetration in electric motorcycles at the industry level, and how does Hero assess the segment's adoption potential going forward?

Kaushalya: Hi, Yash. As you know, product-market fit in e-motorcycles is being established. Penetration is currently in the very low single digits. This is also related to the value proposition that needs to be offered to consumers who would otherwise be inclined to buy motorcycles. Therefore, the segment continues to be underpenetrated with respect to electrification. We are seeing greater buoyancy in the scooter space, as you mentioned, where EV penetration is close to 22% to 23% in the scooter portion of the portfolio.

Yash Agarwal – Nirmal Bang: What is the additional pipeline? Are there any electric motorcycle launches in the next 1 or 2 years? Do you have any update on that?

Kaushalya: We would of course like to provide more information closer to the date, but we will keep you informed. For now, we continue to gather customer information and requirements and build our product portfolio based on that. We will keep you informed as we get closer to that point.

Yash Agarwal – Nirmal Bang: One last question on the flex-fuel motorcycle segment. What has been the initial response, and how much contribution do you expect from the flex-fuel segment over the medium term?

Harshvardhan {? Shitole ?}: That is a great question. Since the date we launched or started shipping, it has been slightly over 2 months, and we have completed close to 15,000 dispatches of flex-fuel vehicles. It is currently a controlled launch because E85 is not available across the country. We have therefore started in select dealerships.

However, even in areas where E85 is not available and the normal fuel available is E20, customers are going ahead and buying flex-fuel vehicles because they are future-proof and give consumers the flexibility to use different fuel blends as and when they become available.

Yash Agarwal – Nirmal Bang: Thank you, sir. That is all from my side.

Operator: Thank you. Ladies and gentlemen, we will take this as the last question for today. I now hand over to Mr. Harshvardhan {? Shitole ?} for closing comments. Over to you, sir.

Harshvardhan {? Shitole ?}: Thank you for joining us today. Once again, I wish you and your loved ones all the best for Diwali, and I look forward to speaking with you again next quarter. Thank you.

Kaushalya: Thank you.

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Operator: Thank you. On behalf of Hero MotoCorp Ltd. and PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Harshvardhan {? Shitole ?}: Thank you.

Operator: Thank you. The next question is from the line of Rajesh from SBI Mutual Fund. Please go ahead.

Rajesh – SBI Mutual Fund: Hi. Am I audible?

Operator: Yes, sir. Please proceed.

Rajesh – SBI Mutual Fund: Good morning to everyone. My first question is on the growth front. We had a very soft Q2. What do you think full-year growth will be, and what are we guiding towards? If you can provide some color on a segment-wise basis, how do you see the domestic business, international business, and the CDMO segment developing?

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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