Management Discussion

Amit Hiranandani - Analyst, PhillipCapital India
Thank you. Good evening. On behalf of Phillip Capital India, I welcome you all to Eicher Motors Q2 FY '27 earnings conference call.

I take this opportunity to welcome the management team from Eicher Motors Limited. Today we have with us Mr. B. Govindarajan, Managing Director EML and CEO of Royal Enfield. Mr. B. Srinivas, MD and CEO of VECV. And Ms. Vidya Srinivasan, Chief Financial Officer.

Now I hand it over to the management for their opening remarks. Thank you, and over to you, sir.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thank you, Amit. Hello everyone, hope you all had a wonderful festive season. Thank you for joining Eicher Motors Limited's earnings call for the 2nd quarter of financial year 26-27. Building on a strong start of FY '27, I am pleased to share that we maintained our upward trajectory in the 2nd quarter. Both of our business units, Royal Enfield and VE Commercial Vehicles, delivered record performances, driving Eicher Motors to its best-ever quarterly financial results. At Royal Enfield, momentum remains strong across domestic and key international markets.

We achieved our highest ever monthly sales in September and October and continued that trend through the festive period, driven by growth across our portfolio. We expanded our EV footprint to Europe and UK with the launch of Flying P C6. We -- commercial vehicles also achieved its best ever second quarter, delivering robust multi-segment growth. It also continued its efforts to deliver class-leading uptime to these customers. Collectively, this performance drove Eicher to a record first half, and we remain poised to sustain this trajectory in the upcoming quarters.

With that, let me take you through the broad overview of the overall financials for the quarter. For consolidated financials for the second quarter for 26-27, our revenue Eicher Motors Limited clocked its best-ever Q2 revenue at INR7,422 crores, marking a growth of 20% over INR6,172 crores from the Q2 last year. Our EBITDA is at the highest ever EBITDA of INR1,760 crores versus INR1,512 crores in Q2 last year. Attached to that INR1,573 crores, up by 15% from INR1,369 crores in Q2 last year, which included INR186 crores of EML share of profits from the EEC region in the current quarter.

Even as we continue with our solid business performance, I am pleased to -- with the progress we made on governance topics and our efforts with validated as Eicher Motors received the Goldman Peacock Award for the corporate governance for the 2nd consecutive year, the only company across 11 industries to achieve this distinction. Now moving on to the key topics and updates from Royal Enfield. We had very busy and exciting few months with the new launches and business milestones across both petrol and EV.

During the quarter, we registered our highest ever quarter sales at 3,76,722 motorcycles as against 3,27,67, uh, in Q2 of FY 2026, registering a growth of 15%. A reflection of our portfolio continues to resonate with the riders and the trust they place in us. Out of this, in India, we sold 3,40,847 motorcycles, growing at 16%, with overall H1 growth of 23%. In the global markets, our volume should net up 35,875 motorcycles. Despite the dynamic macroeconomic and geopolitical environment, we continue to see encouraging traction in the key markets outside India.

On the product front, our most exciting and anticipated launch this quarter was the Himalayan 440,

the OG Himalayan, launched at the inaugural Himalayan Base Camp in Ladakh, which we started this year. We listen closely to our community and went back to what made the OG Himalayan so loved. The 440 carries the 411 spirit forward for a new generation with an engine upgrade. The response has been incredible. Early bookings exceeded our expectations and we are ramping up production to meet the demand.

Uh, just to state that we also passed our booking for some time now to meet their demands, which has been, uh, very high. We also launched the Classic 350 Gurkha Edition in India and Nepal, the latest edition born out of our long-standing association with the armed forces. It pays tribute to the courage and the resilience of the Gurkha Regiment. It is distinct to Gurkha green that gives the Classic layout new depth. To complement the motorcycle, we also launched the Gurkha-inspired apparel collection.

Some of our rider favorites motorcycles got updated too. Uh, the 2026 Classic 350 got new comfort features and a top-end signature white colorways. And the Continental GT 650 got feature updates as well, sharpening its overall style and practicality. We also opened registration for the limited edition of Short Bend 650 created with Rough Crafts India's allocation, sold out in just 3 minutes. The market situation with the positive customer sentiment and full and growing booking pipeline, we are scaling up our production and improving the inventory and the channel readiness to cater to the demand.

Now to give you a background about what is happening in the Flying Flea, our electric mobility brand. On the electric segment, we continue to take new strides. Customers have already ridden over 1,25,000 kilometers cumulatively. On the Flying 3 C6, our first electric motorcycles, making it part of their everyday lives. To meet the growing interest, we have expanded our retail footprint in Bengaluru and introduced the C6 in Hyderabad and Pune with a new parachute white colorways. In addition to the Indian cities, um, the Flying 3 C6 were also introduced in Paris, Barcelona, Rome, and Berlin, and London in September.

A significant milestone for us. The initial response in Europe, like in India, has been promising, and we are looking at scaling up by making sure the retail and the service infrastructure is in place and that we get the ownership experience right from the very beginning. Globally, we continue to strengthen our operations. In Southeast Asia, we introduced the Guerrilla 450 Apex and Goan Classic 350 in Philippines, and the Bullet 650 and Guerrilla 450 Apex in Cambodia. In Thailand, we strengthened our engagement with the motorcycling community through the launch of the FT450 Flat Tracker alongside the inaugural Slide School Cup 2026.

Brazil continues to be the central pillar of our international growth story. During this quarter, we introduced the Goan Classic 350, Guerrilla 450 Apex, and Himalayan Mana Black, and also showcased the Flying Police C6 at the festival in Pelagos. We continue to see steady improvement in international volumes, especially key markets. We also continue to bring engaging rides and events for our community. We concluded the biggest edition of One Ride with more than 150,000 riders across 60 countries coming together for over 1,600 rides for the common cause of snow leopard conservation.

Honoring our pledge made during this event, we announced a contribution of over INR3 crores for this cause. We also deepened our bond with the Himalayas through the 22nd edition of Himalayan Odyssey and the first-ever Himalayan Base Camp in Leh, Ladakh. Our other community-led properties continue to expand their reach, with HunterHood making its debut in Kochi, Dhar Nights hosting its biggest edition yet in Mumbai, and Gymkhana expanding to Surat and Kolkata. Across the

international markets, we hosted the Moroccan Odyssey and Moto Mongolia, taking our marquee ride experience to the new terrains.

We are also gearing up to celebrate the biggest edition of MotoVerse, our annual celebration of motoculture, uh, back for its 15th edition in our 150th year, from 27th to 29th November in Goa. Looking forward to meet you all there. Our governance and sustainability efforts are also working very well, bringing our social mission work closer to people. We will host the 3rd edition of Journey Across the Himalayas, New Delhi. From 3rd to November. It's a cultural experience like no other. Once again, I extend warm welcome to all of you to visit this place.

And lastly, a very gratifying recognition -- Royal Enfield ranked the first 2-wheeler OEM category at the FADA Dealership Satisfaction Survey 2026 for the 2nd year running. Together with our dealer partners, we committed to delivering the true Royal Enfield experience for our riders, ensuring every aspect of the journey bringing the joy of pure motorcycling. Now I will hand it over to B. Srinivas, MD and CEO of VECV, to take us through their business highlights of VECV. Over to you, Srinivas.

B. Srinivas - Managing Director and Chief Executive Officer, VECV, Eicher Motors Limited
Thank you, BGR, and good evening everyone. In Q2, VECV recorded several best-ever quarter milestones across segments. BCV achieved its best-ever Q2 sales with 28,071 vehicles sold, an increase of 28.2% over the same quarter last year. For the first half, deliveries reached 52,886 vehicles, 21.5% higher than last year, highest ever. The performance was broad-based with growth across our vehicle businesses as well as engineering components and power solutions. The recently launched Eicher Pro X crossed 5,000 in cumulative sales, reflecting increasing customer acceptance and confidence in the Eicher brand.

Of these, over 1,400 units are electric. Volvo trucks and Volvo buses maintained healthy delivery levels as customers increasingly recognize the value of world-class solutions in India's fast modernizing transport landscape. We continue to invest across our product portfolio, manufacturing, commercial operations, and service network to strengthen our long-term growth platform. The key milestone during the quarter was the inauguration of our next-generation uptime center at Puttapur. Building on Eicher's 100% connected fleet, the center tracks customers' trucks and buses in real time through a central control tower.

It uses AI-enabled remote and predictive support to improve vehicle uptime and deliver industry-leading service to our truck and bus customers. Volvo buses in India delivered a record 422 units in the half year and has announced significant orders from large operators as passengers move towards comfortable and safe buses. Now coming to VCV's financial performance for the 2nd quarter of financial year 2026-27. Revenue from operations was INR7,568.6 crore, up 24% from INR6,105.8 crore in the same quarter last year.

EBITDA rose to -- rose 22.7% to INR587.7 crore compared with INR478.9 crore last year. Profit after tax increased 37% to INR341.6 crore from INR249.3 crore in the corresponding quarter last year. This performance reflects disciplined execution despite supply chain challenges and inflationary pressures linked to the continuing West Asian situation. During the quarter, we remain focused on customer value through superior fuel economy, higher uptime, and a stronger support network. We'll continue to build on this momentum while maintaining a balanced focus on growth, profitability, and investments for the future.

Now I'll hand it back to BGR for his closing comments.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thank you, Srinivas. In closing, I'm glad to share that the strong growth across Royal Enfield and VECV helped us deliver our this fiscal year H1. The resilience of our growth over the past 8 quarters makes us confident that our strategies are steering us in the right direction, and we expect the trajectory to remain on an upward trend. As Royal Enfield's 125th year draws to a close, we recently made some exciting announcements at EICMA which showcase what's next for us. I'm sure you have already seen the new directions, and so the future is clearly exciting And we welcome you all to join us for this ride.

Thank you for listening in. Wishing all a Happy New Year in advance. Now we can move to the question and answer.

Questions & Answers

Operator
Thank you very much, sir. We will now begin the question -and -answer session. [Operator Instructions] The first question is from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar - Analyst, UBS Securities
Yeah, thanks a lot for the opportunity. And before my question to you, BGR, I wanted to congratulate Srinivas sir for what looks like a very, very strong performance that we see, contrary to what we are seeing with the other peers on margins. I think kudos to you, sir, and best of luck for the future. BGR, my question to you is on the demand bit, because you did talk about demand being strong and booking numbers are large. If you can just help us understand how the festive retails have been for you.

I understand you were -- that was kind of restrained by or limited by supplies and inventory availability. So if you can just help us understand how much was the counter retails, how were the booking trends, what's the kind of booking numbers you're carrying at the end of the season, and what is the inventory level at the dealers at Royal Enfield, and how should one look at the -- if you also can talk a bit more about the capacity expansion plans as to whether it's higher than what we had guided earlier in terms of timeline.

And if you can just quantify the numbers as to by March quarter end what will be the capacities we'll be working with and when does this hit the tapes. So that's on the Royal Enfield side.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Oh, that's about 4 or 5 questions from all. Thanks for, thanks for that. I'll pass on the entire appreciation to the VCV team too. Um, so on the, on the overall on the demand bit and the supply bit, let me give the background. In the first 3-4 months of this year, uh, we -- our growth has been higher than the market growth, and our retail had been very good. So what has happened is there is a bit of a depletion in the overall inventory level. Otherwise, the production has been talking at a very high level.

Our festive period actually started for us right from the Onam, 17th August, and it's going on even now. So we can't say it is over. Production capacity is also continuously increasing. Our monthly

production has upped by almost 15% during this year compared to last year. Overall volume growth is about 18% over the last year for RE for the year till date, April to October I'm saying. However, as you all know, we started the festive season with a very significantly lower channel stock. Um, so what we have done is that our direct shipment used to be only about 1-2%.

So this time we pivoted for the direct shipment mode, thereby the secondary shipment time is reduced so that it can reach the customers. We increased it almost about 18% during this window. That has really helped to reach the customers in, in time for the retail. Uh, our -- honestly, the retail for the season was limited only by the supplies. Post Diwali, our channel stock is -- you're asking -- is almost about 7 to 8 days. Including the transit. Um, what, what's happening in the booking and, and the overall in the market?

Uh, we have seen a very steady increase in the inquiries and booking, uh, in 2026 over the 2025. In fact, the growth, if I have to tell you, is almost about 20-21% is a kind of a growth which we have compared to the, the last year. And we are seeing the growth momentum which is continuing. And our inventory level currently is almost about 7-8 days. That is where it is. So we have to fill this channel stock which is going to come in the next 2 months. So that is obviously linked to the capacity, uh, what the delivery which is there.

So that's the sequence which you also asked. Um, normally we operate with almost about 3 to 4 weeks of channel inventory. At Eicher, we don't operate with a heavy inventory. We always operate with a lean inventory and we focus on retail. Now we are working on ramping up our production. You all aware, we started the year with a capacity of almost about 1.5 million per year capacity with Vellam and Warangadam. We started the brownfield project, Cheyyar, with an investment of almost about INR1,050 crores in 3 modules.

Module 1 Uh, it started the production in Q2 of FY '27, and now we are -- overall capacity built is about 1.65 million per year. Uh, we are now working on bringing forward the Module 2. There is the 3 modules, but bringing forward for the Module 2, and we start the production -- the plan is the second module by Q4 of FY '27. Which will take our overall capacity to 1.8 million per year. The third and the final module out of Cheyyar is also on track, and that will happen from the Q2 of FY28, which will be good for the festive season of coming year.

With this combined capacity of Oraganam, Vallam, and Cheyyar, we will take our capacity to 2 million, which will be ahead of the festive season for 2027. That's the thought in the entire capacity build. And we will continue to ramp up our direct billing to the dealers so that we could reduce another about 4-5 days of inventory which gets stuck up in the, in the, in the C&F agency and all those things.

Pramod Kumar - Analyst, UBS Securities
And, and, uh, going before the, before the second question, now kudos to you, to you and Divya as well, Vidya, because you guys have delivered a very good number despite not holding back on investments and, uh, expenses, right? I see that there's been a reasonably strong other expenditure surge as well. So you're investing behind growth, which is good, and not cutting back to show margins. I think appreciate that. Uh, and, uh, the second question is on the, uh, the, the, the new plant or the greenfield facility, and what are your thoughts on the premium category as a whole, given that there are concerns around electrification as a structural challenge for, uh, the motorcycling industry or the ICE category, because ICE category has not done that well, uh, in, in the festive season.

So if you're broad thoughts on how you seeing premium category demand for for your categories and whether you are seeing any implication of electrification any early words from the NCR market in terms of and Delhi market in terms of because of the impending ban on ICE. If you can just share your broad thoughts on this particular aspect, sir? That will be all.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Yes. Pramod, so the first question is about the greenfield project in AP. As part of our long-term growth strategy, uh, we have -- we are acquiring almost 216 hectares in Andhra Pradesh. You all know, uh, we also got the board approval for almost about INR1,225 crores for the phase 1 of the greenfield expansion and taking the capacity to be additional 4.5. It means almost about 2.5 million capacity per year with the TADA, and that capacity will be expected to complete by 29-30. That's the current thought as of now. Um, yeah, we are looking at how do we speed up, how do we get that forward. That's what is the thought process which is there for the new plant.

T he second question which you have asked is about the motorcycling and the premium category. Um, I think premium motorcycle growth is continuing. The phenomenon of premiumization in the market is not showing any, any growth or something. In fact, of all these things, only that segment is what is showing a very good growth. We could have also propelled the growth more if we had inventory bit more, as because the inventories was not there, the growth of that segment also just -- it's slightly lower because we are the market leader in that.

You would have set the tone further into this if the inventory had been there. There is no science which is actually showing at this stage that the premiumization is coming down Pramod .

Pramod Kumar - Analyst, UBS Securities
Thank you.

Operator
We'll move on to the next question. Thank you. Next question is from Chandramouli Muthia from Goldman Sachs. Please go ahead.

Chandramouli Muthiah - Analyst, Goldman Sachs
Hi, good evening and thank you for taking my questions. First question is just on how you're thinking about the next sort of 6 to 12 month period in terms of growth. You did mention that you've had 21% growth in bookings. There's been 15% growth in production. You are adding capacity. Potentially end this fiscal year at closer to 1.8 million units. So just want to understand, in the back half, just given that inventory is also relatively low, just close to 1 week as we speak, what is the rough range of growth you expect for the premium motorcycle industry and for Royal Enfield?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Normally it is like this that As you all know, our growth has been in the first half, which is almost about 20%, 20-21%. And the current scenario, as you also know, is that we have a very lean inventory, so we have to fill that inventory. So that's the first opportunity which is also there for us to do a higher wholesale. So obviously the growth will continue because we are sitting on, uh, quite a substantial booking. We don't give the correct exact numbers as a guidance, but We are sitting on, on quite a number of bookings because we have not supplied.

Production is ramping up, so next few months it is going to be focused on the production to supply more into the market. Also, because of the supply situation, in fact, during this quarter we were also looking at calibrated marketing intervention, but once the production supply starts up, our marketing intervention also will go up. Premiumization is continuing and our booking rates are very good. As I mentioned, it is almost about 21% plus growth which is happening, and a lean inventory and production is going up.

It's a good situation to be in to fill the, the gap in the market and then continue to grow.

Chandramouli Muthiah - Analyst, Goldman Sachs
Sorry, just a clarification on that 21% bookings growth number. Is that, is that a year-to-date number? Is that a festive over festive number? Just trying to understand that a little better.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
The YTD number, and during test year, slightly higher. So maybe some months it goes over, but at a YTD level, that's a growth rate in the booking.

Chandramouli Muthiah - Analyst, Goldman Sachs
Got it, that's helpful. Uh, second question is just around price actions. So I think you have taken, um, price hikes, um, 3 price hikes calendar year to date. Um, steel prices And has not come off too much in the recent past. I think it's aluminium which has come off a little bit. Um, just want to understand if there's any new price actions we've taken in, in the December quarter to date.

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
I think we've, as you rightly mentioned, we have been taking pricing actions. In October also, we have taken an increase of about 0.7%.

Chandramouli Muthiah - Analyst, Goldman Sachs
Got it, got it. Okay, and so I think we've had, um, so that would be the 4th price hike of, of the year so far. I think we've had 70 basis points in the month of July and 280 basis points between Jan and April.

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
Yeah.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Right, it's a 4th intervention on the pricing.

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
Yeah. I think we've tried to -- I mean, we've obviously tried to keep, uh, because we don't want to take a very, very significant increase, um, right away. But we've kept looking at how commodity is moving and then based on that, we've taken calibrated pricing actions.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So as we always mentioned, our pricing is costless. We always are looking at what products, what's the value, and how is the perceived value for the product. Is there a case for us to increase the

price, and if the commodity pressure is there, how much we can pass on. So that's a calibrated approach which Vidya was telling about. That's how we, we approach our pricing. And you are right, so we have had about 4 interventions in the pricing during this year.

Chandramouli Muthiah - Analyst, Goldman Sachs
Got it, makes sense. That's helpful. Thank you very much and all the best.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thank you.

Operator
Thank you. Next question is from Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh - Analyst, Morgan Stanley
Hi, team. Thanks for the opportunity. My first question is on the -- when you look at your booking number and the ASP trend, how to see that, how to build that going ahead? What are the models which are driving bookings? Because one thing we noticed in this quarter also is that the ASPs have been trending down slightly due to mix. So could you share a little bit about what are the models which are driving bookings, which to an extent will drive the mix?

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
I think, um, if you look at it, uh, in standalone ASP, we've actually had an increase of about 0.5% versus Q1, mainly because of the price increases which have happened and also a little bit model and variant mix. It's only consolidated ASPs which have declined a little bit. That's mainly because of the geographic mix, as you rightly mentioned. So I think right now, obviously, a lot of our I mean, all the models are doing quite well across the board. So Jee is driving pretty much most of the action in India, and we of course have, you know, some of our Himalayan and Guerrilla bikes which are also doing reasonably well.

So I think -- I don't think I can pinpoint any specific model which is kind of driving all of the ASP growth going forward. Um, I think...

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
If at all we have to give more color onto the overall growth, because he's struggling to find which model has not grown -- all the models have grown. Just to give more color onto this, we launched the OG Himalayan 440, and we are also looking at between 440 and 450 how the, the growth will be. But 440 actually propelled the growth of even 450. So combined together, the adventure motorcycles growth in Royal Enfield is also better in terms of booking. And it would have gone up if we have not stopped the booking for 440.

So we stopped the booking for 440 because it has touched a number where 6 months of our capacity is sold out. Otherwise, even combined, it is going up. The second data point for you people is, you know, the pre-GST to post-GST, because of the higher CC vehicles which had the SIM pack which was attached to it, currently happy to share that we are back to pre-GST level. In our 450cc and 650cc platforms.

Binay Singh - Analyst, Morgan Stanley
Right, right. Our second question is basically when you think about this 0.7% price hike that we've taken and looking at all the moving parts, which is a little bit weakness in aluminium, little bit currency weakness, little bit increase in steel, is this the 0.7% hike offsetting all these things?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Obviously no, it can't be. That's why I said in the current scenario where you can't be looking at any inflation can be passed on to the customers, we should always be looking at the customers should feel that there is a value which is getting added. If I have to tell you what's the kind of a coverage which has been done, we have done almost about 50% of the commodity impact that has been covered through the price increases.

Binay Singh - Analyst, Morgan Stanley
Okay. And, and lastly, keep any outlook on exports, uh, how, how do you see that tracking for the rest of the year?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thanks. International market is doing well for us. Brazil is one country, as we always said, that, that's a home market. And we have launched our Goan Classic, Guerrilla 450, Apex model, and the Himayani Mana Black in Brazil. And we are also there, the Interlagos, as a festival. We showcase our C6. So Things are better in Brazil and Latin America, which is -- we have become number 4 in Colombia in the midsize market. Mexico is showing some great shoots. USA started actually looking up. So currently I'm seeing the international market, it's in the track to open up more for us.

Binay Singh - Analyst, Morgan Stanley
And so, but do you expect volumes to sort of for the year almost to match up to what you did last year? Or, uh, any number you want to put to that?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Uh, well, there will be a growth. Obviously, we are, we are pushing, and, um, and, you know, always we look at it, every product which we are launching should grow. We don't provide any forward-looking numbers exactly what it is, but I can tell you we are ramping up our CKD operations in Brazil and SAARC. Uh, we are building the brand awareness for all the launches in the international markets. Riders Club engagement is going on. In fact, we have 45,000 people who signed up in Europe for the Riders Club.

So we are also looking at what is that event which we can do in this, and we are also looking at some new market entry, uh, Indonesia, whether we should have a CKD Africa, how do we enter into the market. So we are exploring, we'll go slow, but our, our focus is, is how do we grow the international market. That is continuing and things are positive.

Binay Singh - Analyst, Morgan Stanley
Great, great. Thanks, team.

Operator
Thank you. Next question is from Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma - Analyst, Citigroup
Hi, good evening, sir. Thank you for taking my question. Uh, sorry to go back on this, but if you could just elucidate a bit more on the capacity part. Um, last quarter you said capacity was 1.5 by the end of the last quarter. Um, so if you could just, you know, you said it earlier, but if you could give us a bridge between 1.5 and the ultimate 4.5 again, that'd be great, sir.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Yeah, so let me, let me give you clarity. We started the year with a capacity of approximately about 1.5 million per year. That was achieved through the debottlenecking of our existing plants, productivity improvements, low-cost automations, and all those things. And we started the brownfield expansion at the Cheyyar, which was announced in February 2026, with an investment of 1,050 crores in 3 modules. Module 1, which has taken the capacity to 1.65 million per year -- from 1.5, we have gone to 1.65 by Q2.

And the, the -- what we are now looking at is a Module 2 of the Cheyyar plant, which is supposed to come at a later point of time. We are preponing that, and we will get it by Q4 of FY 2027, which will take the capacity to 1.8 million per year, which will be readily available for Q1 of FY 28. And the 3rd module which we are talking about, which is the final module That will kick in from Q2 of FY28, which will be ahead of the festive season. So thereby the total capacity will become 2 million. That's with the brownfield expansion.

The greenfield, which we are talking about, is an additional 4.5 million, which we are starting off an action which will be available for '29-'30. That's how the capacity build plan is, is made. Hope that gives you clarity.

Arvind Sharma - Analyst, Citigroup
The greenfield would be 4.5 additional.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
That's right.

Arvind Sharma - Analyst, Citigroup
Okay, so total 6.5, 6.5 million by FY30.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
No, no, no, no, 2 million plus 0.45 million, so that's 4.5 lakh. So it will become 2.5 million.

Arvind Sharma - Analyst, Citigroup
Yeah, got it, got it. Thank you, thank you for the clarification. The second question would be...

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
It is 2.4 million per year. Yeah, right.

Arvind Sharma - Analyst, Citigroup
Second question would be on the platform part, uh, with the 440 Himalayan coming in, uh, so, uh, you know, what's your strategy between having, uh, very close engine sizes, 448, 450? What's the

differentiation that you are targeting? And, uh, is there any particular clientele that both of these different platforms target?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Well, you know, you all know Royal Enfield. Royal Enfield is a company which will listen to the community and the riders. And because we ride, we are there with them always. And the community was always telling, 450, it's, it's a fantastic motorcycle with the navigation system, which is a PaperDash, which is there with all the technology which is required for the exploration adventure and also for globe tracking. Um, but the community has been pushing us very hard that we should have the OG Himalayan, and unmistakably the original 411, that's what they wanted, including the, the middle console.

Um, so we brought that motorcycle. Uh, we, we actually wanted to celebrate the 10-year anniversary with a badge, um, on, on that. It really helped us to build. Uh, it is at a different price point because the bill of materials slightly different than they compared to 450. Um, and as I mentioned, you know, it got sold out in flat 17 days, and on the 18th day I had to tell the team to stop booking because there's no capacity. We have to build the capacity for that. And it is at a very attractive price point of about INR2.29 lakh ex-showroom compared to the 450cc, which is a clean about INR45,000 to INR50,000 difference between these 2.

So at a price point level, it also helps to get a bit more, a bit more customers into this. The worry is what, will it actually cannibalize each other? But both cater to a very different customer segment in our understanding, because when we ride, you can feel that Himalayan 450 is for performance-oriented riding, while 440 is for the riders looking for simplicity and and enjoy your own speed and, and terms. Um, so there is a price laddering between 440 and 450. To that extent, it is not cannibalizing.

That is what I was mentioning. Combined 440 and 450, the overall number has gone up for us in the, in the 400 to 500cc range adventure motorcycle, which is a good sign. But we will open up 440 once again, the booking. And then we will watch for some more time whether to continue 440 and in what avatar we will continue. Uh, because we are an organization, we always look at what community wants is what we will give. The community wants us to continue the 440, we will continue, or we will take a call of making only 450.

That's, that's not decided at this stage. Having said, even the international markets have actually started asking us the 440. We are evaluating it. Should we actually open up the 440 also into the Himalayan, or 440 into other markets which are developing markets. Developed markets are by and large looking at only 450cc, but in developing markets, because of the price point, once again looking at whether there is an opportunity for us to get 440. We are evaluating it. If the platform lends itself for a higher number, why not?

We should give it to the customers to bring the pure motorcycling experience which we always stand for.

Arvind Sharma - Analyst, Citigroup
Thank you so much. Uh, if I may just squeeze in a very numerical question, um, between 1Q and 2Q there's been a decline in depreciation. Anything to look into it?

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
Yeah, see, I think the decrease is only about 15-odd crores. That's basically because there has been an end of life of a few assets which are related to 350cc and 650cc platforms in Q1, which ceases to be there in Q2. So that's the decline. Otherwise, overall gross block has increased versus the previous quarter, and depreciation has also increased from that standpoint versus last year.

Arvind Sharma - Analyst, Citigroup
Got it. Thank you so much. That's all from my side.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thanks, Arvind.

Operator
Thank you. Next question is from Gunjan from Bank of America. Please go ahead.

Gunjan Prithyani - Analyst, Bank of America
Yeah, hi, thanks for taking my questions. Just a quick clarification on the festive numbers. Did you mention that festive growth was 18% or was it for the YTD? And is there a way that you can, you know, you can sort of give us a sense of what is the magnitude of pending bookings? Because I think the consistent feedback from dealers in your case is that, you know, we're supply-starved. So I'm sure there will be a set of pending bookings. Is there a sense that you can give to us as to what is the magnitude of that.

Um, and can capacity ramp-up be accelerated from the current timelines? Is there -- is that even viable, or is it going to be Q4 exit?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So a few things. Um, one is about the booking, and I'm sure, uh, not the exact number I'm going to tell you guys, but I can tell you that some models booking is as good as 2 months. So that's, that's what the, the booking trend as of now, and that has grown by almost about 20%. It is continuing even today. The inquiry rate and the booking rates are continuing. Um, our endeavor is to bring the capacity forward. That is why the Module 2, which, which was supposed to take the capacity to almost another 1.5 lakhs, which we are preponing it now Um, I mean, one more thing which I have to tell you is, if that gives you some clarity, is our average inquiry and booking post the festival -- uh, you know, during festive time it will be higher.

Post the festival, which we have been monitoring, we have come to the pre-festival levels of the same growth rate, uh, which we have seen in, in the year. So to that extent, it is the booking and the inquiry and the interest is continuing. Our web visits are continuing. In terms of capacity bringing it forward, we are pushing hard, and that is what we wanted to do. Um, from 1.4, 1.5, we have 1.5, we have gone to 1.65. We are now working on getting that capacity to 1.8 million per year in Q4, um, which is, which is actually -- we're trying to start it from January itself.

I mean, let me put it like that. And the 4th quarter will come Just before the festive for coming year.

Gunjan Prithyani - Analyst, Bank of America
Okay, got it. And under the, the growth that you mentioned is persisting post-festive also. So is it fair to say we are seeing like despite the base effect and all of that, we're still seeing double-digit

growth in inquiries and bookings post the festive? That's the reading we should have.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Yes.

Gunjan Prithyani - Analyst, Bank of America
Okay, got it. And, uh, the second question, um, I just wanted to hear your thoughts on, uh, this whole, uh, you know, pockets of, uh, semi-urban and rural, some stress because of, uh, you know, the monsoon disruptions, etc. I think over the last couple of years we've also seen the share of semi-urban and rural go up in the portfolio. Are there any pockets of underperformance or some regional divergence that you are noticing in, you know, in your portfolio. It will be good to get some color on how should I be reading this whole rural noise as far as your portfolio is concerned, because everything that you're sharing of course sounds that there is a lot of strength in the demand and booking, but should I -- should we be even bothering with the noise that we are hearing on rural?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So this noise, we are also trying to analyze, because it also reached us. Is there a case? Because we haven't seen anything like that in our analysis. Uh, if I have to tell you our analysis, what is showing so far, we haven't seen any signs of slowing demand in rural or semi-urban areas, contrary to a lot of the noise which is there in the market. Um, they are delivering a strong growth in, in year-to-date for us for H1. Booking growth in the states comprised predominantly semi-urban and rural -- UP, West Bengal, Bihar, Rajasthan -- they all also stood at more than 23% for us.

Uh, we are closely monitoring the key indicators for any agricultural output, credit availability, monsoon -- all those things we are seeing. But at least there is no signs which is, which is actually taking us to show, oh, there is a slowing demand. It is not showing anything.

Gunjan Prithyani - Analyst, Bank of America
Got it. And lastly, if I can squeeze in one for, uh, yeah, on the margin side, you did mention, you know, that, you know, price hike has been taken, but directionally, can you give us some sense, uh, you know, if commodities were to stay where they are now, should it be fair to say that, you know, we should be now in this range at least in the near term, and recovery of course is more an outcome of, you know, beyond Q4 or when commodities cool down? Some sense on, you know, the, the direction from here.

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
As you -- I mean, as you know, we don't give forward-looking guidance, is okay. So I cannot really talk about it. And obviously there is volatility. We've taken pricing action now, so we'll see how that all plays out.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
I'll continue to emphasize the same point that all of us also have to help us out to have a narrative clear. Is the range bound or the percentage is not It is driving us. The growth and then absolute profit is what drives us, the organization, and we will continue to focus like this rather than just

looking at the percentage. That's the organization alignment.

Vidhya Srinivasan - Chief Financial Officer, Eicher Motors Limited
I said this in pre-call, so I didn't know the statement.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So once again, yeah, it's a great thing that you guys should help us out to think through like that.

Gunjan Prithyani - Analyst, Bank of America
Yeah, got it. Thank you so much.

Operator
Thank you. Next question is from the line of Joseph George from IFL Capital. Please go ahead.

Joseph George - Analyst, IIFL Capital
Hey, hi, thank you for the opportunity. I just have one question. Now what I'm doing here is I'm just comparing your wholesales and retail. So over the last 7 months, which is say April to October, your aggregate domestic wholesales were about INR765K. And when I look at Vahan registrations, the retail during the same 7-month period is about INR710K. So effectively, retails are trailing wholesales by about 55,000 or so. What I want to understand is, you know, on one hand you're saying that the demand is so strong, there's waiting periods, etc.

Why is there a shortfall in the retail registration that we are seeing compared to wholesales over this long 7-month period? And second is, if the gap between wholesales and retails in that 7-month period is 50-55K, that is equivalent to approximately 2 weeks of your you know, typical sales, not non-festive, uh, how is the closing inventory now at only 7 days?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So it's good, uh, Joseph, maybe you have to drill down a bit more. What happens in the walking exact numbers, though we track it on a daily basis, normally there will be spillovers. Sometimes there will be a spillover and it may not be reflecting the exact one between the wholesale and the retail as as you are also mentioning, the, the physical stock inventory which is there as of now is only almost about 7 days including the transit. That's what is the stock level which is there. Um, but our booking rates are very high.

So what is going to happen is the floor is free for us to actually do a wholesale. There is a huge booking tendency which is there, so the retail which is going to be faster So the focus of the organization have to be delivering those numbers. That's where it is.

Joseph George - Analyst, IIFL Capital
Uh, so the lead -- sorry, the lead and lag of retail registrations, when I'm looking at it on a, uh, 7-month period, which is long enough, doesn't it even out, uh, you know, the lead and lag?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
It's sure. I haven't understood where exactly so much of a gap which is coming, Joseph. I mean raised. We will also do that because our walk-in tallying is not showing that sort of a difference. We will, we will check that out once again.

Joseph George - Analyst, IIFL Capital
Sure. Okay, thank you.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thank you.

Operator
Thank you. Next question is from Kapil Singh from Nomura. Please go ahead.

Kapil Singh - Analyst, Nomura
Yeah, good evening, sir. Uh, so first question is on electrification. Uh, for our tech banks, uh, you know, which is the premium motorcycle segment. How do you see the relevance of electrification in these segments over next 3-4 years, and what kind of penetration of electric bikes can we expect for Royal Enfield?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So 2 things, um, a couple. First is our electric mobility brand is Flying Flea. It's a new young brand, we have to do a lot many work on building the brand. It's a City, City Plus electric motorcycles from Royal Enfield. So the first is it's a show card that we are into electric, and the acceptance by our consumers has been outstandingly well. In fact, we opened only at one showroom in Bangalore. Now we are in Hyderabad and Pune, and now we are going to do it in Delhi and and Cochin and all other areas, Chennai.

Um, the inquiries are very good. Bookings are slower because we have to give more experience ride to them. So people are also taking time. So it's a new segment and new category. It will take time to grow that whole thing. We are not in any tearing rush. We wanted to build that properly one by one. But I must tell you that on a motorcycle, when we launched it, the interest so high in India. I mean, we launched in Europe, it is, it's furthermore very exciting for us as a team, and the response has been very good.

So we are now focusing on only one product. You all have seen in EICMA, we have shown the S6, which is our scrambler. So on the same platform, we can have 2 products. From one product, we are now extending it to the second product, which will answer some other needs of it, but it is still City Plus. City, city plus. Motorcycles is also beyond city. So the adoption -- this is my personal view -- will take more time. There is no science which is showing that within 3 years it will happen, 5 years it will happen.

But we are in for a long haul. We want to build the category, and you will see more products which will come because that's how we have to prepare ourselves for the future when the electrification takes on. Uh, as I mentioned, we are good followers. We will, we will consistently work on giving a very differentiated experience for the people. They should, they should get that. I think we are on the track of building the category. We have to wait for some time to really see how the adoption is going to become faster.

Kapil Singh - Analyst, Nomura
Okay. And so the second question was in terms of, uh, the broader portfolio plan. Since we are expanding capacity significantly, of course there's very strong demand right now. But when we think

of segments, uh, for example, in terms of sporty segment, are these segments which will be of interest for Royal Enfield, or we will remain focused on the retro classic kind of segments only? And from a price point perspective also, you know, right now the, uh, the entry price points which we operate at, are the price points below that also of interest to us, or, uh, you know, we we would not consider those.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
So Royal Enfield, um, you know, we always believe less is more. We will not do too many things. Second is our focus will be middleweight. Middleweight, we always say 250 to 750cc. Currently 350cc, we have models like Bullet Classic, Hunter Meteor, Goan Classic, um, and on the 440cc, as we brought in the OG Himalayan, uh, our Sherpa 450cc Himalayan and Guerrilla, which is there, and 650cc, which has Continental GT, Interceptor, Super Meteor, Shotgun, Classic Bullet. There's about 17 different motorcycles which we have, and our market share in India is in the middleweight is somewhere around 80-82%, and on the motorcycle we are still about 8-9%.

So there is always a potential for us when the premiumization as a, as a theme which is continuing in India. It is very good for us because we have such gorgeous motorcycles in 350cc to 650cc. And you all had seen the Himalayan launch in EICMA, which is also a 750cc adjacent. So our focus is middleweight. We continue to focus because we are very confident that we can grow the market further. Just to give you a number, um, if in case that will help you to think through, in about 7-8 years back, this number used to be somewhere around 60,000 a month, and of which we were somewhere around 50,000-51,000 per month.

Currently, that's the middleweight I'm saying. Currently it is almost about 1.3 lakh per month, and we are as good as about 1.2-1.21 lakh per month. So the middleweight has grown, we also have grown, and we led the growth. We will continue to lead the growth is the confidence which we have in the products which we have and the pipeline of products which are going to come.

Kapil Singh - Analyst, Nomura
Okay, so thanks. Uh, just one follow-up on VCV. We have seen some dip in market share. Uh, any color there, like what's causing that?

B. Srinivas - Managing Director and Chief Executive Officer, VECV, Eicher Motors Limited
Uh, yes, there is actually growth in all the segments, specifically application-oriented segments. Overall, I think we have grown with respect to the market. But however, yes, I think a few areas, uh, probably there can be changes here, there. Otherwise, the VCV has recorded a growth of 21.5% over last year.

Binay Singh - Analyst, Morgan Stanley
Okay, sir, thank you.

Operator
Thank you. Next question is from Yash Agarwal from Nirmal Pankh. Please go ahead.

Yash Agarwal - Analyst, Nirmal Bang
Hi, sir, thank you for the opportunity. My first question is basically on the commercial vehicle demand. Like last year, we have seen a surge in sales in Q4 as compared to other sectors. Q4 was stronger for CV. So how do we see second half planning out for commercial vehicle overall?

B. Srinivas - Managing Director and Chief Executive Officer, VECV, Eicher Motors Limited
Uh, we have seen as a substantial growth compared with last year for the first 2 quarters. And we see the similar demand pattern and all across, whether it is from the rural side or semi-urban and urban, there is a good demand in all segments. And so for the -- at this point of time, look at the kind of opportunities and the order book, the Q4 appears to be quite robust.

Yash Agarwal - Analyst, Nirmal Bang
Okay, sir. And my second question is basically on with Royal Enfield increasing focus on expanding its addressable market. Does management see an opportunity to extend its portfolio below 350cc, and how would you approach this segment without diluting the brand's premium positioning?

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Um, so yes, as I just said, Royal Enfield focuses in the middleweight. Middleweight, we always said it's ranging from 250 to 750cc. Currently we have almost 17 different motorcycles on 350cc, 440cc, 450cc, CC and 650cc. And, and there is a robust demand. As I mentioned, the booking is very good. We are growing at a 20% plus rate, and the supply situation is slightly lower at this stage. So production is ramping up. So the focus of the organization in the short term is how do we fill the demand. Once that situation comes to a particular level, we will start looking at increasing our marketing activation of this existing platform Because that is one thing which we have put back on for something because of the supply situation.

That will further help us to increase our booking rate. So our focus is on the middleweight. We'll continue to focus on that.

Yash Agarwal - Analyst, Nirmal Bang
Okay, that's it from my side. Thank you.

Operator
Thank you, ladies and gentlemen. We will take that as the last question. I would now like to hand the conference back to the management for closing comments.

B. Govindarajan - Managing Director, EML and Chief Executive Officer, Royal Enfield, Eicher Motors Limited
Thank you everyone. It's wonderful talking to all you people. So we'll, we'll see you all in the next quarter. Thank you.

Operator
[Operator Closing Remarks]