

July 10, 2023

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Sub: Transcript of Analyst/Investor Meet – Harley Davidson X-440 launch

Dear Sir(s),

Pursuant to the Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find attached the transcript of Analyst/Investor meet held on July 04, 2023 for the launch of Harley Davidson X440.

This is for your information and further dissemination.

Thanking you,

For Hero MotoCorp Limited

Dhiraj Kapoor
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“Hero MotoCorp Limited
Harley-Davidson X440 Launch Conference Call”
July 04, 2023



**MANAGEMENT: NIRANJAN GUPTA – CHIEF EXECUTIVE OFFICER
DR. ARUN JAURA – CHIEF TECHNOLOGY OFFICER
RAVI AVALUR – HEAD, HARLEY-DAVIDSON BUSINESS
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UMANG KHURANA – HEAD, INVESTOR RELATIONS &
RISK**

Moderator: Ladies and gentlemen, good morning and welcome to the Conference Call of Harley-Davidson X440 launch by Hero MotoCorp. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Umang Khurana, Head - Investor Relations. Thank you and over to you, Umang.

Umang Khurana: Thank you, Ryan. Thank you, everyone. Good morning and it is a beautiful morning. We just launched the Harley-Davidson H-D X440 yesterday. This is a short call today to talk to you about and respond to all the questions you may have on the product and our strategy around it. Today on the call, we have with us our CEO, Niranjana Gupta, our Head of R&D, Dr. Arun Jaura, and the Head of Harley-Davidson Business Unit, Ravi Avalur.

We'll start with some questions from the group that we have in person here and then take questions from the online participants as well. Ryan, I'll keep ping you as we go by. I'm requesting the groups here to please speak up on the mics and we'll respond to the questions accordingly. Thank you for coming in and we'll open it up for questions. First, from the group here.

Vivek Kumar: Good morning, sir. This is Vivek from JM Financial. Could you please walk us through the royalty or the technical arrangement that we have with Harley-Davidson on this product, licensing fee, all those sorts of details, please.

Niranjana Gupta: I think what's important is you've seen the launch, the model that we launched yesterday. It's 440cc. It has got features that you saw yesterday, which are best-in-class, some are next in class features. We have landed this at a very attractive introductory price. The bookings will open today, which will be pan-India. The booking amount will be INR 5,000 only. And you can already see the excitement that it has created yesterday. I think that's enough for this, not what the royalty, commercial arrangements are. We are here to win in premium, whatever it takes. And I talked about it in the investor day as well. And clearly, you can see that we are taking actions which are in line with the strategy that we laid out.

Vivek Kumar: Thank you very much. My second question is pertaining to exports. So yesterday, you know, we heard that it is an India-only product. But as we can see in the industry, that exports in the premium segment have also been doing very well. Certain other companies are also doing well in this segment. What is your view on exports of this particular product and by when?

Niranjana Gupta: So as of now, it's based on India. And we are focused because India is a huge market for this segment and all of us know that. The focus is to get the India market right. And as it progresses, both the companies will continue to explore opportunities for future collaboration, whether it is geographies or portfolio.

Vivek Kumar: All right. Thank you.

Jinesh Gandhi: Yes. Hi. This is Jinesh from Motilal Oswal. Continuing on that question, with respect to the product pipeline for Harley collaboration, so we start with one product only, or there are more products which are under development which will be launched at a later date?

Niranjan Gupta: Right now it is the one product, I think, with three variants, that was launched yesterday. And this itself has a big opportunity. And as I mentioned, both the parties are continuing to explore, whether it's geographies or portfolios. As far as our lineup is concerned, it's important to again reiterate that we would be launching a model which is based on a similar platform but of a different style and a little different customer profile which will come before the end of this fiscal. So you will have that another product that's coming out.

Beyond that, also, you will see more premium products this year itself. I'm not going to reveal the names of others, but you will see. If you look at it, Jinesh, we talked about, if I remember Umang, three years back, on the portfolio strategy. If you go back to my investor calls, and we talked about that we will saddle across all the engine capacities right up to 440-450, if you go back to those calls, and different segments. And this is what you see.

We have had Xtreme 160R 4V, we had XPulse, we have now this. And you will see us launching, which are actually straddling in between as well, on the engine capacity. You will see more and more action. It is not just about a variant on this platform, but you will see the entire lineup and range coming.

Jinesh Gandhi: Got it. And secondly, given that we'll also be having our own product on the same platform, how do we differentiate and how do we not co-compete with Harley, given that we sold through the same network? So what are your thoughts on that? Thanks.

Niranjan Gupta: They are not the similar looking models. Like, you know, in auto, it's not very uncommon to actually have a platform approach, where you have a platform and on that platform, you can spin different model types. That is what this is going to be. We are not going to cannibalize each other. The look of the bikes will be very different. They will leverage on the same platform that we have. So it will be meant, so it's like in every segment, you have different types of customers and the idea is to address them. It is not going to be cannibalizing each other.

Jinesh Gandhi: Thank you.

Hitesh Goel: Hi, sir, this is Hitesh from CLSA. I have two questions. First is, you know, I could not make out the differences between the first entry-level model and the second level, because the features that we got, there was only a difference is the alloy wheel. Any other features which you can talk to us about between these two models, between entry-level and the second variant?

Niranjan Gupta: I think let me ask Ravi to talk about that. What they're asking is the difference between the first, which is an INR 2,29,000 ex-showroom and INR 2,49,000 ex-showroom. If you could just talk and maybe, Arun, you can supplement just in brief.

Ravi Avalur: Well, one was the machined alloy wheels and the spoke wheels that we have. We have different paint finishes. We also have a different badge - we've put a very intricately designed 3D badge

on the tank, as opposed to a painted surface and a decal. And the other aesthetic differences, pin-stripping on the tank to the treatment of the side cover and battery box.

Hitesh Goel: Just a follow up on that, could we have gone with alloy wheels in the starting model itself? What was the thinking, it's a premium product right. I mean, alloy wheels don't come too expensive. Just for my understanding of the thought process there, because we are going with a good aggressive price point. So we're going to start it with alloy wheel at the entry price only. What do you think?

Niranjan Gupta: Let me answer that question. There is a strategy behind pricing. When we launched yesterday, people were expecting the price to be INR 3,29,000. Now at INR 2,29,000, you can't package everything. There is a strategy behind pricing of the variants to what you do at what price. And that's exactly what we have followed.

Hitesh Goel: Okay. My second question is on distribution. Can you talk about how many, because you are going with a premium distribution, so how many dealers will we have, say, in one year, two years' time? Also, all the premium product that you're talking about will be available on the premium outlets, or it will be in normal Hero outlets also?

Niranjan Gupta: First, let's go to the bookings. The bookings which open today at 4.40 p.m., 4th of July, the date has been chosen, the time has been chosen with a purpose in mind and you can understand the significance of that. The bookings will be pan-India. So the customers from anywhere can book our product. The second then comes to delivery. We will be delivering through different modes.

The delivery will happen through Harley outlets, delivery happens through select Hero outlets, how many number of outlets that we're not going to talk at this point in time, that's not important. Delivery would also happen from wherever they book through other means, it could be home deliveries, test rides would be available at multiple places. So these are models now which are very, I would say, it's a combined model of delivery. And one need to segregate between creating customer interest, which is what we have done yesterday and more and more media that will do, to the bookings where the customer express the actual demand on that, to the delivery - test ride and the delivery. So all of these, we have plans in place. We are going to ensure that, majority of customers who want this, are going to be catered to. And also, the advantage being that, we have a distribution network, which is deep-rooted.

Most of the brands, if you see, and there was a question yesterday from the media houses, most of the brands, American brands, that exited India, if you ask my view, they exited because of the lack of service network - that's one single reason, there could be many other reasons. We have that advantage of servicing through so many points. So therefore, those are the advantages that we will leverage, and which is what, we talk about in "Win in Premium" strategy, which is that, we will leverage our synergy, but we will move with speed and scale. And that's what we are going to do, which I talked about yesterday in my speech.

Deep Shah: This is Deep from Yes Securities. So in terms of production capacities, what run rate we are looking at to begin with, and how it will be ramped up, going forward?

Niranjan Gupta: We will ramp up as for the demand that comes from the customers.

Deep Shah: Sir, is there any number in mind in terms of production capacity?

Niranjan Gupta: We have a number in mind, but we are not going to speak about that. All I can say is that, we do see huge interest after yesterday's launch. And all I can say is that, I have assurance from our supply chain teams that we will be catering to every single customer who expresses their desire to own this exciting bike.

Deep Shah: Thank you.

Amyr Pirani: Hi, good morning. This is Amyr from JPMorgan. So some clarifications on the distribution strategy. So right now we have a few Harley outlets, you will have a premium outlet separately which will have Hero premium products as well as the X440. Is that a correct understanding?

And also the service thing you mentioned, obviously your strength on the distribution and the service network itself. But then, if you are planning to do the servicing of the Harleys also, I am guessing, there will be a requirement for upgradation of the service. So any thought process there and any understanding there?

Niranjan Gupta: As we go in right now, it will be obviously the Harley stores, which are limited in number. But the numbers will come from select Hero stores. We have already launched program for Hero 2.0. I spoke about that in my interview sometime back. That is progressing very rapidly. These products will be housed in the Hero 2.0 stores, which is what we are talking about - select Hero outlet. So that provides you the physical availability. That still does not constrain the product being available.

As we said, we will make the product available, wherever the customer wants. And there are those mini models that one can create. So this is the strategy. Now, what is the role of the premium outlets that I spoke about - the 100 premium outlets which I spoke about in March they're going to come. They will serve multiple purposes. Because remember, we talked about, that Hero coming from its strength in the segment that it is, which is Entry, Deluxe - which it has protected and defended and increased the market share so well.

Now, to have that premium imagery, we needed a portfolio. Now you're seeing that, right - clearly that's a tick. We also needed to ensure your brand association, and you see that, and yesterday you've seen that. We also need to ensure that we have a high street visibility, in terms of, so the premium stores are going to act not as an outlet store. They will, of course, sell. But more often than not, these high street outlets, they actually serve as more visibility and creating that premium imagery, enhancing that premium imagery further. So that's what the role of this 100 premium outlets is going to be, much like some of the four-wheeler players who've done that. So you will see that. So it's not a disconnect. It's like, you have stores for delivery, which need to have a certain environment, retail experience.

By the way, each of these stores, which house this Harley-Davidson X440, will have dedicated salesperson and dedicated store-in-store concept, which will be there. So it will ensure that the retail experience is there. But the visibility of the high street comes for all our premium brands. You can say that, this is more for enhancing Hero's Premium imagery, just like the brand association that this premium outlet will serve.

The service experience you are absolutely right. When we service these products, the relevant service networks will be also upgraded, in terms of either providing a separate lane or separate by-lane. By the way, for 15 days, I've travelled to six or seven states. In June, covering a lot of dealers, networks, service centers, it was like a complete "Bharat Bhraman" (India tour) that I did. And I was excited to see that there are many such dealers and service networks which are actually very good. It's not like, you need to upgrade all of them, we already have many which are fantastic. You guys are in Jaipur, if you want to visit one of the Hero 2.0 stores, you can just go to Jaipur city and Umang will tell you where it is, and you can see a 2.0 store, what it is. I'm talking about Bharat ji dealership, give them address, they can just visit and they can see that. So there are many such stores, which are there.

In principle, you are right, that we'll be looking at, because the experience to the customer doesn't stop at sales points. The sales point - the customer will come once, but the service point - the customer will come multiple times. So more experience has to be there at the service point, and we're completely mindful of that. That is where, you guys also talked about in what way this collaboration works. So this collaboration works in this way as well. Because Harley being Harley, they would have a certain sense of how to cater in service centers, and then we know how to reach masses. And therefore, you combine that know-how as well, which is not tangible, but they're all intangible know-how. You know, they've created that know-how with 120 years - they're celebrating 120th anniversary. We've created know-how of the Indian customer and the market and the scale over the last 40 years. It is the combination of that, which is extremely powerful, rather than, I would say just a tangible asset.

Amyr Pirani: Actually, it's good to know that it's not just like a product licensing thing. So basically it's almost like a partnership without the equity space?

Niranjan Gupta: Absolutely, and the interests are aligned. Of course, I've not given out a royalty number, but you talked about that. Yes, not only is the income accrued, but that's only one portion, actually if you look at Jochen yesterday's message. Finally, okay as finance people, we look more at royalty and what comes to P&L. But that's not the business objective. That's only a means.

The objective is to create value for both shareholders - for shareholders, who are Hero shareholders, for shareholders, who are Harley shareholders. And the value gets created, when you actually serve the customer need, in a way that others have not been able to. And therefore, you expand the market and get the market share. And then the value follows. So that's the end goal, that's the objective. Royalty is only a means to that.

Amyr Pirani: Thank you.

Umang Khurana: We'll take questions online. Raghu, could you put Raghu on, please?

Moderator: Sure, the question is from Raghunandhan from Nuvama Research. Please go ahead.

Raghunandhan NL: Thank you for the opportunity. Congratulations on the stellar launch. A couple of questions. Firstly, this category of customers, they thrive when there is a rider ecosystem. So if you can talk about, what are the efforts in creating a rider community and ecosystem, that would be helpful. Secondly, introductory pricing has been aggressive. How do you see the gross margin

for the product in comparison to 30% - 35% for mass market model? Can the margin be higher at 40% - 45%, similar to peers like Royal Enfield? Thank you, sir.

Niranjan Gupta: I'll let the first part of the question be answered by Ravi Avalur. The way he's dressed today, looks like he is coming straight from ride test track and the community, which he is. So Ravi, answer the first part, the next one on the margin, I'll take on.

Ravi Avalur: The first part was a very good question. And we've designed this bike in mind for the freedom seeker and the engaged dreamer - someone who wants to use the bike to go on rides and do more than just commute. We have the Harley Owners Group - this is a proprietary Harley community group. And it's very, very active in India. And we will be offering, at a cost, Harley Owner Group membership to buyers of the H-D X440, as we do other motorcycles - and that organizes rides, community gatherings, product experiences. So I'd say, Harley is the leader, then that's very much part of our strategy.

Niranjan Gupta: And taking on to the margin question, if you ask me what's the big game here, the big game here is to 'Win in Premium'. And 'Win in Premium', why - simple two reasons. That so far, we haven't been present in this premium segment. I say, haven't been present, because I don't consider a 3% or 4% market share as present. So we need to get our fair market share.

Second, this is a segment which is growing at a super speed. We have seen the growth last year. We are seeing the growth, not just the premium segment, but we are seeing the growth in premiumization story itself. Even at the entry level, the model that sells the most is the model of the highest price. Now that's something that, and I keep explaining that, but that's a reflection of the aspirations of India.

Whichever book pyramid you are in - bottom, middle, top - doesn't matter. Everybody's aspirational in their class, and that's the aspiration that you can capitalize on. So this growth story is real, and therefore you have a pie which is expanding, and a pie in which we need a fair market share. So that's the game. And obviously with scale, margins will follow.

Raghunandhan NL: Thank you very much, sir. Just a quick question, when are the deliveries expected to commence and this introductory pricing till when is it expected to last?

Niranjan Gupta: So it's an introductory pricing, we are not currently talking about how long it will last. And the second thing is, delivery, is also watch the space. We will talk about it soon.

Raghunandhan NL: Thank you so much, sir. Very helpful. Wishing all the best.

Umang Khurana: We will have Basudeb. Basu, you want to introduce yourself.

Basudeb Banerjee: Yes, this is Basudeb here from ICICI Sec. Just to continue with the last question, the first half was timeline of promotional pricing, you are not saying, but some other companies who disclosed that post the promotional pricing how much will be the hike. Can you share that?

Niranjan Gupta: No.

Basudeb Banerjee: Because that will be quite motivating for the customers to book at this current promotional pricing.

Niranjan Gupta: The indication that the customers can take is to just analyze, in the last three years, all the premium brands when they've introduced the introductory price, how much hike they have taken post the introduction.

Basudeb Banerjee: Understood. The second question is like I was also discussing yesterday, like from the ecosystem, developing a single cylinder model from indigenization perspective, made for India pricing. So, overall from a holistic perspective, what has been the contribution from Harley's R&D side for developing the product, if you can explain sir?

Niranjan Gupta: I won't get into who's contributed what. And I think like, we spoke about, it's a very holistic collaboration. And the end game for both is to create shareholder value by catering to the customer need, in the way that no one has done before. That's the end game. And therefore, XYZ, it's even beyond the agreement. There are many things, honestly speaking, when you are collaborating, you can't talk about anything and everything. The know-how I talked about, is intangible. Actually, that's far more important than actually the tangible. So I won't get into who's contributed what. Both of us have collaborated to ensure that this bike comes on the road, and you have seen it yesterday. And I hope you are excited about it.

Basudeb Banerjee: Yes. And last is, what will be the target market for the product initially, top 10 cities, or even to the mass market as well from the very beginning? How will be the target market positioning?

Niranjan Gupta: Okay. So firstly, I am a great fan of India story, by the way. And I've been talking about it not just now, but for many years. There is, first of all, as I keep saying, the aspiration is not limited to the metros or the top 10 cities, and we know it very well. The aspiration is also not limited to those who are seemingly wealthy or rich. There are people who aspire to actually buy the bike, much beyond what their means optically would suggest.

What we are doing is we are going to ensure that the bookings are open pan-India. And then we will find a way to deliver it. Some of which I spoke about in terms of the physicality of the stores. There are other ways to actually deliver those as well. So this is what we are going to do, for the majority of the customers.

Basudeb Banerjee: Thanks.

Moderator: Thank you. Our next question comes from the line of Kapil Singh with Nomura. Please go ahead.

Kapil Singh: Sir, congratulations on the launch. Very exciting. Most of the questions are answered. Just if you can talk a little bit about how the driving characteristics of this bike would be different from competition. What do you think customers, when they ride it, will be excited about? And also, what kind of effort Hero has made on the quality metrics? If some color can be talked about there as well.

Niranjan Gupta: So let me just ask Dr. Arun Jaura, who heads the CIT, to answer the question. Arun, please go ahead.

Arun Jaura: Thank you for the question. In terms of the differentiation of this bike versus the others, this particular bike, first of all, I mean, you look at the low-end torque - it's very flat, it's very steady. So the ride that you get on this bike you don't feel a sluggishness, number one. Number two, the handling, the ride and handling is also very, I would say, comfortable because of the upside down fork suspension that we use on the front. That is the other characteristic. The stance is very good. It also has, you know, at low torque, if you talk about at low RPM, 4,000 RPM, you get over 38 newton meter. That's a fantastic torque as far as the vehicle is concerned.

The Dual ABS that you have on this, that's another big feature that we have in terms of comfort, in terms of breaking distance as well. So these are some of the highlights of the bike that are certainly putting it next in class, I would say. And the load carrying capacity, typically although, you specify something, what is used in the marketplace is much different from what it is. So there as well we are far ahead of what is needed in the market. These are some of the highlights. You would like to add anything?

Ravi Avalur: I think the balance between straight line stability, which is an essential part of a roadster designed for touring is extremely good. And there's no compromise on maneuverability, as anyone who rode it on the test track had said to me this morning.

Niranjan Gupta: I think, if I may just add, I don't think we even need to get into those nitty-gritties of the specs. If I'm a customer, for me, the first differentiation is Harley-Davidson. Do we have another Harley-Davidson at this price in Indian market? The answer is no.

Second, it's 440 cc engine. There's much higher power to compete in the class that we want to compete. I'm choosing my words very carefully. I think these two should be enough. And added with the price combination which is there, you don't need a fourth element. But I would advise Ravi, we just stick to these three. That's it.

Ravi Avalur: Yes. We'll stick to these.

Niranjan Gupta: All right.

Umang Khurana: If you have a last question, we'll just take two more questions. Kapil, allow us to get back here in the room. Hitesh has another question. We will just take both the questions and respond to them together.

Hitesh Goel: Yes, sir. Thanks a lot. You do not want to give license, agreements and all that, but can you just tell us, is it, or you can give us the product development cost on this product, both Harley and Hero. How much have you spent on this?

Umang Khurana: Let's also take Vivek's question and maybe you can respond to both of them.

Vivek Kumar: It's a question and a feedback. In the past, we have seen that good premium product has been introduced. Bookings rise and delivery period is endless. And in that the customer excitement fizzles out. So how have you made sure that the supply chain is agile and the deliveries will be fast till the time excitement is there? Thanks.

Niranjan Gupta: I'll answer both. As far as the investment is concerned, our R&D, we provide sufficient capital allocation. And you've seen that our spending in R&D, not just now, over the last five - six years- we continue to invest in R&D. Our overall capex, and I have talked about that, because of the scale that we have, the size is already significant. All it requires is re-deploy that capital more- and more towards EV and premium, which is what we are going to do. Unless if you are a small company, then you'll deploy additional capital. Here, I just have to re-deploy the capital, and which is what we are doing.

As far as booking is concerned, you are absolutely right that if you keep it prolonged, then it fizzles out. But again, that's where the advantage of our scale and synergy comes. We, for instance, have Ram here, who's Chief Procurement Officer, handling the entire scale. We have the entire manufacturing capacities that we have.

So it's very modular, and therefore, our supply chain, given the scale and the establishment infrastructure that we have, is extremely agile to be able to cater to that.

Vivek Kumar: Thank you and all the best.

Niranjan Gupta: Thank you.

Moderator: Thank you. On behalf of Hero MotoCorp, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Umang Khurana: Thank you so much. Thank you everyone. Lovely. Thanks for coming.