



Hero MotoCorp Limited

Investor Update Call

March 31, 2020

MANAGEMENT:

Dr. Pawan Munjal, Chairman, Managing Director & CEO

Niranjan Gupta, Chief Financial Officer

Umang Khurana, Head - Investor Relations

Umang Khurana : Hello everyone, and thank you so much for joining on the short notice. I appreciate your patience. Here is hoping each one of you, your families, friends, neighbours and communities to keeping safe, please do.

We have with us today, our Chairman & Managing Director, Dr. Pawan Munjal, and CFO, Mr. Niranjan Gupta, to give you an update on the business. This call is being attended by the leadership team as well. You have heard from a couple of them just a short while back. We will begin with a personal address by our CMD, Dr. Pawan Munjal. Next, we will take questions. All of you have sent in a number of questions over the last 4-5 days. We have them collated. I will ask those questions on your behalf. We will then try and take some live questions as well. Finally, we will close with remarks from our CFO, Mr. Niranjan Gupta. I will orchestrate the meeting now. Niranjan, you want to say a few words, and we will then get started.

Niranjan Gupta : Welcome everyone to the call! It's been a short notice, but what is short and medium and long-term – the definitions have changed now. So I think now it seems like even a three-hour notice is equivalent to a three-month notice. Given the period that we are going through, it is a pleasure for us to host this call. We usually host the call at quarter end, which is after the quarterly results, but given the unusual situation that is prevailing, obviously a lot of you would be hearing a lot of things from a lot of places, we thought it's important for us to talk to all our stakeholders directly. Investors, whether it is from the buy-side or sell-side, are extremely important for us. Over the last few days, we have been hosting various townhalls led by our Chairman & Managing Director, and also our leadership team, where we've been addressing different stakeholders. We have been talking to our dealers, vendors, employees, overseas subsidiaries, and in that series, it's where we thought that we should communicate with you.

Umang has been in touch with you during this period, taking your questions and calls, and for today's call, he has collected all your questions, speaking to each one of you, and we have got a good set of questions, which we will be addressing now. As you can see, the whole world is passing through tough times, but like everything else, this shall also pass finally. What is important is for everyone to stay positive, to work on the plans, scenarios, in a calm, conscious and composed manner, so that on the other side when you come out, you can come out as winners. That has been our endeavour. Without much ado, let me now hand it over to our Chairman & Managing Director, Dr. Pawan Munjal, who would like to speak to you personally today. So, welcome Pawan ji, over to you for your address to our investors.

Pawan Munjal : Namaskaar! How Are You?
We usually ask each other this question, often as matter of habit! I don't think these three words ever had more meaning than they do today! First and foremost, I hope all of you and your loved ones are safe, healthy and at home. I met most of you, just over a month ago in Jaipur during the Hero World 2020! Now, it seems like ages ago. Since then, times have changed

drastically – in a manner that has never been seen before in our lifetime – it’s truly unprecedented!!

In my multiple Digital Town Halls and meetings with employees and business partners, I have told everyone to keep their chin-up, stay positive and find humour in everyday life. These aspects are critical in maintaining a healthy outlook in these unprecedented times.

Stock markets are often a reflection of where our world is and where it is heading. Looking at the markets, the current situation of course, seems quite grim, and therefore, it is all the more reason why everyone needs to stay positive.

At Hero MotoCorp, we were very quick to notice the spread of this novel coronavirus at an early stage and I set up a Business Continuity Task Force under my direct supervision to monitor the situation and take cautionary measures. Since February, the Task Force has been meeting every day and it updates me on the latest developments and our measures to counter the escalating situation. In keeping with this proactive approach, as soon as we realised the COVID-19 has become a pandemic, we decide to halt all our operations at all eight of our manufacturing facilities spread across India, Bangladesh and Colombia, at our two R&D centres in India and Germany and put all the corporate offices under Work from Home, even before the lockdown was announced by the Hon’ble Prime Minister.

Since the situation started to escalate in India, I have maintained that the health and well-being of our country’s citizens is the most important aspect for me. This has been my standing instruction to the Business Continuity Task Force as they formulate our plans to tackle the ongoing situation. I am also pleased to say that all of our Company’s actions and decisions have reflected this umbrella humanitarian ideology. Our first priority is always the health and well-being of our employees and business partners and that is why we have taken all necessary steps to safeguard everyone in our Hero family.

The Business Continuity Task Force continues to meet every day, now digitally of course, and updates me with the developments and decisions taken. It has proven to be an effective system in such unprecedented times. The Task Force is also looking at key business aspects in these times and is working to ensure that there is the least impact on business. There will be impact, we all know that and are prepared for it, but, we can still try and reduce the severity of the impact.

As you may know, global supply chains have been disrupted. International borders are closed and global trade has almost ceased, apart from things considered essential! Currently, we do not know when the situation will improve or if the peak has already passed us or not. It is a constantly evolving situation. So we are making our plans basis the information available and are ready to quickly adapt if the situation changes.

We are also looking at light at the end of the tunnel. When the world gets out of this pandemic, many things would have changed. Our style of doing

business, operational processes and the general way of life. I feel these changes will be for the better. Human beings, and by extension the human race, often needs a jolt to wake up or get out of their comfort zone. This pandemic may be that jolt. I am dedicating this time at home to communicate and connect with all my key stakeholders. I am spending time listening to my teams to improve and enhance our business models and it works. I am sure the concerned teams are in regular contact with you and you have been receiving timely and focused updates on the next steps.

Still, I wanted to talk to you personally, because as I said these are unprecedented times. Now all of you are very information savvy, I know, and are probably up to date with all the developments at the Company. Let me still point out a few important developments over recent few days. There have been so many! Let me start in reverse chronology:

We – as Hero Group in the BML Munjal family - announced a corpus of Rs 100 Crore towards relief-efforts for COVID-19 yesterday. Half of this sum, Rs 50 Crore, will be contributed to the PM-Cares Fund and the remaining Rs 50 crore will be spent in other relief efforts. In addition to Hero MotoCorp, some of the other companies contributing to this fund include Hero FinCorp, Hero Future Energies, Rockman Industries, Hero Electronix, Hero Enterprise and AG Industries. In the critical times that the world is passing through, it is of utmost importance and urgency that we all come together and support the marginalized sections of the society, along with those who are in dire conditions. In the extended Hero family, we are humbled in making this contribution.

Apart from this, there are a host of other initiatives like community food distribution, two-wheeler ambulances and delivery essential goods. We are also in the process of procuring 100 ventilators. Hero has always supported all its stakeholders and will continue to do so. Just yesterday, there was a misleading newspaper headline which said that we have suspended full payments to our vendors. On the contrary, let me assure you that we are prioritizing the payments process to make full and on-time payments to a large number of MSME and small vendors, despite the challenging circumstances arising out of the complete lockdown that has made it difficult to process transactions at a normal pace. Our other vendors are also receiving payments, albeit in a phased manner on account of the current situation. In fact, we have paid all our contractual workers well in advance for the full month, as they have been the ones impacted most adversely. End of last week, I also gave my personal assurance to the dealers that we will take care of the BS-IV inventory. Again, I'm sure all of you know about it, so I will not go into detail. So clearly, you can see that the focus for us right now is the well-being of our ecosystem and the larger community.

More importantly, we are a debt-free company with strong liquidity and this will keep us in good stead for the immediate future. So, we can focus on our humanitarian efforts. I keep telling my employees and business partners that we are all in this together! And I want to say the same to you all also. We all, the entire humankind, needs to come together and tackle this challenge head-on, together. Because once we are out of the bear market, bulls will

return. Growth will come! Once things begin to get back on track, there will be pent-up demand and we will look to cater to that demand and capture new markets. In the meanwhile, the time under lockdown is an opportunity for everyone to go back to the drawing board and see where and how we can improve ourselves to be ready for the journey ahead. Whenever business picks up, we will be ready and have the right products to meet the demand. The feedback on our entire range of new BS-VI products has been very encouraging and this to me is a strong point of optimism. Our employees, partners and our manufacturing plants and R&D facilities, will be roaring to get back to full-steam – hit the ground running and charge ahead.

So, finally, these are the four take-aways from me today –

- the focus right now is humanitarian efforts and well-being of our entire ecosystem
- our balance sheet is strong, we have liquidity and we can thus stay strong in these difficult times
- once things return towards normalcy, we will be ready to hit the ground running and achieve growth
- and most importantly, we continue to be positive and request everyone to also be

On that note of optimism, I look to hear from all of you. I am sure you all have many questions, I will try to take as many as possible. Thank You!

- Niranjan Gupta : Thank you Pawan ji. I'll hand it over to Umang to co-ordinate the questions coming.
- Umang Khurana : Sure, Thank you Pawan ji and Niranjan. The first question is from Ruchit Mehta (SBI MF), Deep Shah (Prabhudas Lilladher), Anita Gandhi (Arihant) and Mitul Shah (Reliance Capital). The question is for you Pawan ji: What steps has Hero MotoCorp taken for safety of employees, contractors, suppliers, etc.?
- Pawan Munjal : As I just mentioned, we were quick on our feet. Even before anyone else did anything, we already started to take steps. We created the task force for business continuity and also for the safety and well-being all our employees and the ecosystem around us. We announced the work from home much before rest of the world. We then asked the plants to be shut down because we clearly saw that people in the factory have to get together, it is difficult to maintain social distancing that was required and everyone then started to work from home. Sanitizers, masks, all that was required, hygiene levels etc., everything was provided in all the offices and factories much ahead of time.
- Umang Khurana : Thank you Pawan ji. The follow-on question to that is what is Hero doing for the society. I reckon you have actually addressed that completely, so if you are okay, I am moving on to the next one which is about business continuity, so the question is- How prepared are we on business continuity, what is the preparation for the restart plan and challenges ahead? Again the question is asked by Ruchit Mehta, Deep Shah, Mitul Shah, Prayesh Jain (Yes Securities).
- Niranjan Gupta : So as we have have outlined just a few minutes back, our BCP (Business Continuity Planning) work actually started much earlier right at the time when

the Corona virus was identified in China in the beginning of January. That's when we started our business continuity work. Work started between many sub-teams which reported directly to our CMD. Earlier we were focusing on how to ensure supply chain continuity when China was going down. Post that, we shifted gears in terms of the lockdown preparation and now we have shifted gears in terms of the restart plan because the restart plan is also going to be a big task in itself, getting the operations, getting the workers, getting materials back, and one thing I want to point out is that earlier we made a plan which was how to insulate against China sourcing but now we have to insulate the plan against the rest of the world sourcing, so that's how dynamic the world is.

All our sourcing teams are pretty strong, well-networked and geared up, and the advanced planning and the backup plans are really helping. Yes, there will be challenges but as they said the two things which are important: the advanced planning, which we have on board, when the China thing happened we went into actually flexi -plan (if this happens, then what) that gives around 2 months of time before actually the rest of the world got into the fire of COVID. So those plans are in place, we are working on those and finally as we have already said, what is also important is a strong balance sheet and liquidity position. We need to make choices, we need to prioritise resources properly, we need to allocate and plan properly and I think that our liquidity position will be a big boon in these times to overcome the challenges.

Umang Khurana : Thank you Niranjan, moving on, the next question is to you Niranjan, and the question is- What is the expectation about the demand scenario; when do you expect things to recover? This is from Utkarsh Mehrotra (Point 72), Chirag Jain (SBI Capital), Vishah Shah (Mosaic), Jay Kale (Elara) and Kapil Singh (Nomura).

Niranjan Gupta : Thanks Umang. I think as we have said, right now, we are not thinking of growth and profit, because safety of people is extremely important and from business point of view, liquidity in the business is key. It goes without saying that this is the focus area. Having said that, as we look forward, demand scenario clarity will emerge only once the lock down ceases. We can see that the government has taken several measures which all of you would have gone through, they are very welcome measures to put a lot of money in the hands of people, in the hands of needy people, those who need it the most. Secondly, the RBI announcement which was there around infusing liquidity in the system, reducing the borrowing cost, moratorium, I think that eases out a lot of pressure from the system as such. Finally, of course, you all know that in two wheelers, the pent-up demand does get back, because India is still very much underpenetrated, and two wheelers is always a planned buy. Obviously, the demand is accumulating because of the lockdown. At some stage, this demand would come back. It is difficult to predict the time, because right now, one has to prepare for the lockdown opening and restarting and then, of course, the demand scenario follows.

Umang Khurana : Pawan ji, the next question is for you. The question is: Will you support your dealers through this situation considering there is stress in the system, and liquidity may be a concern for some of them? How will you stabilize the sales channel when we go back to normal? This is asked by Abhinav Ganeshan (SBI

Pension Funds), Riken (Infina), Rohan (New Horizon), Vishal & Sagar (Mosaic), Annamalai Jayaraj (B&K), Jaiprakash (IndiaFirst Life Insurance).

Pawan Munjal : Dealers are always considered as part of the large Hero family and we consider them our backbone. We are always there for the dealers, the dealers are always there for us, and it is a mutually beneficial relationship. In these tough times which are continuously evolving everyday, every other day new stuff is happening, new challenges and possibly new opportunities are coming to each one of us. I held a town hall with all the dealers and our part distributors on Friday last week. I had an interactive town hall with them. They had an opportunity to talk to me, to ask questions to me and the other leadership team. We have given them full assurance that they need not be overly concerned. In times of difficulty, the company is always standing behind them. We have always helped them in times of crisis in the past and we will help them in this time of crisis as well.

Surely, there is a liquidity issue, there are interests piling up because of the stock they are carrying and now the stocks of BS-6 that they will continue to carry to April. The company helps them, but of course, due to the recent RBI announcement, they will definitely get a respite. The company stands shoulder-to-shoulder with its dealers.

Umang Khurana : Thank you Pawan ji, moving on to the next question, it gets a little more nuanced. Niranjan, this question is for you: What is the outstanding BS-IV inventory (in units as well as number of days) and what is the plan of liquidation in the wake of the Supreme Court order? This is asked by multiple sellside and buy-side.

Niranjan Gupta : Right, so you'll have to be a little patient with me because a nuanced question demands a long answer. I will start by saying that Hero stopped BS-4 manufacturing by middle of February itself. The retail growth in March before the lockdown started, was at double digits, faster than everyone else, going very well. The dealer and network would have probably liquidated all their inventory by probably 23rd or 24th March if things were operating normally and not in a lockdown scenario.

Prior to this lockdown starting, which is around 22nd March, we were holding an inventory close to 1.5 Lakh at that point in time. Post the Supreme Court order, what happened is, while the earlier regulation allowed sales upto 31st March, which means 31st March 11:59 PM, and obviously you had to complete registration also by then, it extended the registration upto 30th April, so for all sales that are completed till 31st March 11:59 p.m., sales can happen but registration gets extended to 30th April. If there is any unsold inventory as on 31st March, then only 10% of that is allowed to be sold in April post lockdown.

Now obviously, selling in lockdown even till 31st March is physically not possible, so what our dealers have been doing is online sales through internet platforms without physical delivery, by selling it to their employees because a lot of enquiries had accumulated, all the details were there with them already, and to that extent we have provided support to the dealers to the extent of around Rs. 10,000 per motorcycle and Rs. 15,000 per scooter to enable them to

support these online transactions. As far as Delhi-NCR is concerned, even though there also the online sales can happen till 31st March, but we have decided that given the specific call-out by Supreme Court in its order about Delhi NCR, even online sales will not be allowed in Delhi NCR till 31st and we will take back Delhi NCR stocks. That will be close to around 14,000-15,000 units, so I think that's the suo-moto or our own voluntary action that we've taken. So I hope it's a long answer but it clarifies all the doubts regarding the BS-4 position and liquidation.

Umang Khurana : Thank you for that, that's the key question everybody's been asking. If I may just add, that is the entire ecosystem, so that's dealers, sub-dealers, everybody's stocks that we have in the system. The next question comes back to you Niranjan: In the current environment, liquidity is king- and preferred over profitability. How are you placed in this aspect? How much cash do you hold? Why have you issued advisory for delayed payments to Vendors? This is asked by Nishant Vass (ICICI), Annamalai, Binay (Morgan Stanley), Vivek (HSBC).

Niranjan Gupta : So let me start my answer by saying that I am reminded of a quote from one of my previous bosses and the quote goes as follows- Sales is vanity, profit is sanity, but cash is reality. So I think these are the times when that quote really becomes absolutely factual. As we have outlined, we have strong liquidity, more than Rs. 4,000 crores as liquidity, our reserves are of course much bigger. I am just saying that the discretionary liquidity itself, in the liquid funds that we have, is enough as we have outlined, to sustain our expenses, and support all our payments and even startup expenditures and business continuity in a phased manner. As far as the vendor thing is concerned, I think our CMD has already outlined, so I'll not touch more on that and I think it is very important in this phase for everyone to do a proper business continuity planning, and prioritise and phase it and then have graded response because you don't know how the scenarios will pan out, and that's how our action was taken. Even having done that, large number of MSMEs, small vendors were completely paid in full. As far as even vendors are concerned, we clearly said that we will have graded response, we will review every week, and then put it. As we are speaking, we have already decided to move up the 25% to 50%. So, honestly, this is more about a graded and phased response, so as to ensure that you prioritise resources as per where they maximum need attention. Just to add on to that, the GST deferral by the government, EMI deferral by RBI, all these also will help our vendors in terms of ensuring and managing their cash flows.

Umang Khurana : Thank you for that, the next question is for you Pawan ji, and this is more on personnel costs, paying our contractual labour and plans to do so, that's part one. Then there is: what % of the costs are fixed, and what is the cost per day? The question has been asked by Nishant, Ruchit Ashutosh (Equirus), Kapil, Utkarsh, Sonal Gupta (UBS), Prayesh Jain, Yohanes Tanutuma (Westwood), Aditya (HDFC) and others.

Pawan Munjal : As I already mentioned that we as a company, are a caring company. Our motto- "We Care," came about from the philosophy of the company. We care for our employees, we care for the environment, we care for the ecosystem that we live in, our partner ecosystem, which is what we have been doing from Day 1 when this situation came about. I already announced this in the townhall

to the company that everyone who is with the company stays with the company, nobody is going anywhere. I already mentioned earlier, we paid our contractual and casual labour/ workers in advance, ahead of time, so that they can manage their lives while there is no work for them. We've already committed that they will also stay with the company. The monthly recurring cost in this lockdown situation for the company is to the tune of Rs. 200 crores per month.

- Umang Khurana : Pawan ji, the next question is also to you, and slightly more big-picture. Jinesh (Motilal Oswal), Jaiprakash, Aditya would like to know: Do we push back new product development for some time now, since capex and opex are something we are now re-considering?
- Pawan Munjal : No, not at all. As I said earlier, this is the time for us to keep innovating, keep working on the products. Yesterday, I spoke with many of the R&D engineers, R&D senior personnel, mostly the expats, somebody was in Germany, somebody in Japan, one in the UK, and many of them in Jaipur in the lockdown. Everyone is working from home. Many of them did mention that they have already got used to working from home. In their previous companies, they have done that a lot, so this is not new to them, only the lockdown is new to them. So work is going on, most of the people have their devices with them, they have the requisite software with them, and the work is going on product development. The Global Product Planning function is regularly interacting with the R&D, so when we are out of this, we will definitely be well on track.
- Umang Khurana : Thank you for that Pawan ji. The next question is to you, Niranjan. Ruchit, Deep Utkarsh, Jaiprakash would like to know: What is the plan to manage after things improve from here?
- Niranjan Gupta : I think we have answered this by-and-large. We have strong liquidity and planning, non-essential opex and spends have been stopped, capex is getting prioritised. Obviously, R&D will continue to get the funding, that is for the future. Product and innovation will not stop. Our plan is very well in place. Summing up, effectively that's the plan to come out of this situation.
- Umang Khurana : Moving on to the next one, which is again to you Niranjan. Coming from Nishant, Deep, Vivek, Joseph (IIFL), Pramod (CIMB), the question is: What steps have you taken to ensure business health of your suppliers? Do you see a significant supply chain disruption in a prolonged weak environment? How would you tackle it?
- Niranjan Gupta : I will just reiterate the part of the supply chain disruption, as vendors have already been addressed. Yes, in a prolonged weak environment, and of course with this COVID-19, there are bound to be supply chain disruptions. What is important is the way we are addressing as I have said earlier, when this thing happened in China, we did not go to a uni-source or single track planning but we went to flexi-planning. So I think that's what would help. Other than that, our sourcing teams and supply chain teams are very strong, and therefore they have the plans for it. There is no single answer to this. It requires not only planning but minute to minute, hour to hour execution, which is what our teams are doing as we stand today. As the country is in lockdown, I can assure

you that our employees, while being at home, are not in lockdown mode as far as work is concerned. In fact, work is happening at a furious pace, at 2x/3x of what normally was happening, and probably that is something that we are now learning as to how to manage this.

Umang Khurana : The next question is again for you, Niranjana. Nishit Jalan (Axis Capital) would like to know: Do you expect benefits from lower crude? What is the % of raw material dependent on crude? What about other commodities?

Niranjana Gupta : Yes, that is a silver lining for sure. As the global GDP and the global demand have come down and will come down, the commodity basket is expected to continue to be soft. We actually see crude hanging around \$20, we see aluminium which is actually now between \$1500-\$1600. Even the precious metals which have gone up, have come off because of the lower demand. So definitely, the cost side of this should benefit the auto sector. It is the demand side that one will have to navigate through.

Umang Khurana : Thank you for that. Pawan ji, the next question is for you. Ashutosh, Jinesh, Jaiprakash would like to know: How do you expect the segments to evolve? Do you believe entry demand could be hit due to the expected decline in income?

Pawan Munjal : It's a very fluid situation, is what I have been saying over and over again, and whenever we come out of this, sooner than later, things would actually pan out then. So to be able to guess today what happens post the opening of the lockdown, when the sales begin, when the dealerships reopen, when the customers start coming in, there is a possibility that downgrading happens in segments, but it would happen in all the segments then. The premium buyers, some of them might come into the executive segment. Some of the executive segment buyers might come down into the entry segment. Some entry segment buyers might just fade away. So the segment will still remain, and there are possibilities that some four-wheeler buyers might come into the premium segment, but we clearly have to watch what is happening, and as soon as we are back there in the market, we'll quickly have to go out and study and check the markets and talk to the customers, find out how customer behaviour is panning out.

Umang Khurana : Thank you Pawan ji. The next question is from Sagar, Govind, Joseph, Pramod. Their question is Pawan ji, for you: Where are we in terms of the BS-6 transition: Status, model launches, price increases and the pricing differential? Any plans to look at alternative technologies such as e-carb? How is our portfolio positioned in terms of cost vs. fuel efficiency?

Pawan Munjal : Some part of the question has earlier been answered by Niranjana, but let me say that over 95% of our portfolio has already been launched in BS-6, and the relative product pricing positioning is also out there in the market- the price differential between BS-4 and BS-6, and among all our different products in the BS-6 range, new products itself. Generally, Rs. 6,000-8,000 has been the price differential between BS-4 and BS-6, which we have seen in the market already. Clearly, the BS-6 products have a much better fuel efficiency with the programmed FI sensors. FI is any day better than e-carb in terms of the performance, output, etc. E-carb has a much better pricing, which is why some

players have gone with e-carb. We have been working on e-carbs too. Maybe at a later stage when we are ready, some of our products, maybe the entry segment products could have e-carb waiting for them. Let me also say that in terms of the driveability, the fuel injection has a better driveability, and also in terms of meeting the future regulations, the FI system would have a better possibility of meeting the future regulations at a much faster pace.

Umang Khurana : Thank you for that, Pawan ji. 98% by volume, of our products, is already transitioned to BS-6. We have over a month of inventory with our dealers, that's what Pawan Ji spoke about. In terms of hitting the ground running, when we get back, we'll be right there when the markets open. Another question coming your way, Pawan ji, Utkarsh, Chirag Jain, Vishal & Sagar, Aditya Makharia would like to know: How do you see medium and long term scenario for auto sector and for Hero? Do you see trends changing in mobility space?

Pawan Munjal : Clearly the long-term story of this sector remains absolutely intact. We are an under-penetrated market. Urbanization is taking place on a regular basis, and even the rural buyer is very aspirational youth. Trends of more women in education and employment are being seen, we have more and more women buying our scooters. In fact, we also encourage women to ride our motorcycles!

For us, there are definitely big opportunities in the premium segment, where today we have a much smaller market share; also opportunities in scooters, but more importantly, going into global markets- we still have a small percentage of sales amongst our overall sales which goes into the global markets. We are working very strongly to take brand Hero to a much higher level in those markets. Brand recognition is getting better and better. Some of the markets have done very well for us. We expect global business to grow for us as we open up, the markets open up.

It's a little early to talk about the trends changing, but of course, we have always been talking about shared mobility, and the transition from owned mobility to shared mobility, which already is happening, as we know, I have also invested personally in some of the startups in shared mobility space. In the short term, pent-up demand may come back, but then we are also going to watch because of the price differential between BS-4 and BS-6, it's not going to be easy in the first couple of months. Closer to the festive season is when, I've earlier also said in February, we are looking at things getting better, and I stay with the same comment. Closer to the festive season is when we are looking at the market really bouncing back. And as we have been saying, these are tough times, new times. It is not the time for us to count profits and losses at this juncture, it is about being humane, it is about going out there, serving the society, serving the most needy, and we at Hero are completely and fully committed to ensure that we do everything possible to support the society, support our employees, support the most needy, and support the entire ecosystem that we work with, and keep ensuring business continuity as soon as we open up again.

- Umang Khurana : Thank you Pawan ji. There were a lot many questions, but why don't we take some time to write our questions down. The first question is from Yogesh (HSBC).
- Yogesh : Thank you Pawan ji for giving the opportunity. I just have one question. You would have seen the stock price and where the markets are. What is your view on doing a buyback to boost investor confidence?
- Niranjan Gupta : So at this point in time, honestly, it's very important to ensure that in the current period of lockdown and the crisis that India is facing and the world is facing, it is very important to conserve liquidity and then ensure business continuity. That is more important because a long-term business continuity is far more important from shareholder value creation point of view, than a short-term buyback at this point in time. We have discussed and evaluated the choices that we are exercising and we'll keep evaluating these options at various points in time. However, having said that, there is some action which is happening at the promoter's end, where I believe that there has been some increase in the stake. So I'll leave you with that for now.
- Umang Khurana : Thank you for that. The other question that I am getting is from Pratik at Credit Suisse. His question is: What should happen to marketing and advertising spends during these difficult times. What is the low hanging- is that the easier one to cut? How does it help/ not help you going forward?
- Niranjan Gupta : Thanks for the question, Pratik. So obviously, during the lockdown period, there is no point actually doing ad spends. In fact, you can't even shoot ads, because even that is prohibited during a lockdown period. Once the business opens up and we get in the restart mode, of course we will be evaluating all our expenditure, not just marketing, in order to prioritise and ensure that whatever is productive in the short-term is not cut, and also creates long term value, is provided with adequately funding, just like the innovation that we were talking about.
- Pawan Munjal : Let me add to that. While there are no sales happening, there is really no point in going out there and spending on ads, etc., but our marketing teams are coming up with some very innovative and topical little clips, which I am sure, they will very soon be putting out on the digital media.
- Umang Khurana : Thank you Pawan ji and Niranjan. Achala from Birla Sunlife had a follow-on question on the inventory levels: What is the Delhi NCR inventory and how does one manage that?
- Niranjan Gupta : The Delhi NCR inventory is close to around 12,000 vehicles, which we will take back and after that, we will try and see how much of that can go to our international markets, and what can be converted into our parts business. So that is the action plan, which once we take back, then we will evaluate and deploy.
- Umang Khurana : Thank you for that. Now, there is a question about what we are looking at doing in terms of recurring capex and investment in R&D, and in terms of how we prioritise our liquidity during these times.

- Niranjan Gupta** : As we have highlighted, the investment in R&D will continue because R&D is for future product launches, and those launches have been very well thought of, in terms of whether it is premium segment, whether it is scooters, or some of the other product upgrades. So that work is happening, and Pawan ji outlined that in adequate detail. As far as recurring capex is concerned, of course, at this point in time, there is a capex pause. As the business opens up, then we will again prioritise the capex in terms of what is really required immediately and also based on the demand scenario, so that prioritisation will happen as we move forward. In any case, this situation also helps us to look at all non-essential expenditure, for instance, people are now used to working much better through this technology route, rather than travelling. So I am sure that as we move forward, even on a stable state scenario, the travel etc. will come down big time, as people become more conscious about environment and they find that this technology is far more productive. I think that habits are going to change and that's going to aid us, and these times also help in terms of ensuring that all non-essential spends are actually called out and optimized.
- Umang Khurana** : The last question comes from Ranjeet and his question is: Given the precautions that people would take from here on, do you expect the demand for personal mobility space to pick up from here?
- Niranjan Gupta** : Great question, Ranjeet. It's difficult to make a guess right now. As I mentioned that a lot of habits will change- the travelling habit will change, maybe there will be a change from shared mobility to owned mobility back as people go for a bit of social distancing for a continued period of time, so all of these things will need to pan out. Having said that, in India by itself, even without this, there is a huge scope as far as penetration, urbanisation, all that we talked about, yes, this could be an add on factor to the demand, but we will need to see as it moves, as the business recovers from this current phase.
- Umang Khurana** : Thank you Niranjan and Thank you Pawan ji for coming in. Niranjan, would you like to make closing comments before we leave?
- Niranjan Gupta** : Thanks everyone, we're glad for this overwhelming response. Thank you everyone for your time, coming in at a short notice. Thanks to our leadership team and thanks to our Chairman & Managing Director, Dr. Pawan Munjal, for addressing all of us. As we say, tough times call for people who can think through and actually these trying times have differentiated the winners from the others. So right now, we are focused very much on the safety and welfare of all our stakeholders, and parallelly doing business continuity planning, of course, and we will again touch base with you very soon. In the meanwhile, stay safe, maintain social distancing, but as we say, not emotional distancing. Thank you everyone!
- Pawan Munjal** : Let me also come in and add my own thank you to all of you for agreeing to come online and be a part of this interaction in these times. It was really nice to be able to talk to you and interact with you and get our messages across. Please stay home, please be safe, please be healthy, and I hope all your families and friends also stay home and are safe and healthy. Please keep washing your hands, please keep sanitising. Namaskar again!

Niranjn Gupta : Namaskar Pawan ji! Namaskar everyone, Thank you all!

Umang Khurana : Namaskar, see you all! Thank you, bye!
