



“Tube Investments Of India”  
Q3 FY2024 Earnings Conference Call”

February 02, 2024



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2024 Earnings Conference Call of Tube investments hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘\*’ then ‘0’ on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Securities Limited. Thank you and over to you Mr. Gupta!

**Anupam Gupta:** Thanks Michelle and good morning everyone and welcome to the Q3 FY2024 results conference call for Tube Investments of India. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman for TI, Mr. Arun Murugappan, Chairman for TI, Mr. Mukesh Ahuja, Managing Director, Mr. AN. Meyyappan, Chief Financial Officer, Mr. K R Srinivasan, President and Whole-time Director for the Metal Formed Product Business, Mr. Murali, Senior VP for TPI, Mr. U. Rajagopal, Senior VP for the Cycles Business, Mr. N Govindarajan, CEO for 3XPER, Mr. K.K. Paul, MD, TI Clean Mobility Private Limited and Mr. Anurag Vohra, Chief Operating Officer for the TI Clean Mobility Private Limited. To start off it, I will hand it over to Mr. Subbiah for the opening remarks and then we can have the Q&A. Over to you.

**Vellayan Subbiah:** Thanks, Anupam. The board of TI met yesterday and approved the financial results for the quarter ended December 31, 2023. The standalone results for the quarter, the revenue was at Rs.1898 Crores as against Rs.1710 Crores in the same period for previous year. The PBT before exceptional items and tax was at Rs.210 Crores as against Rs.192 Crores in the same period previous year and ROIC annualized was 54% as against 53% in the same period previous year. Free cash flow for the quarter was at Rs.66 Crores. Quick review of the businesses; engineering, the revenue for the quarter was at Rs.1229 Crores compared to Rs.1081 Crores in the corresponding quarter. PBIT for the quarter was Rs.153 Crores as against Rs.134 Crores in the corresponding quarter in the previous year.

For metal formed business, revenue for the quarter was at Rs.392 Crores compared with Rs.371 Crores in the corresponding quarter and PBIT was at Rs.47 Crores against Rs.42 Crores in the corresponding quarter. For the mobility business which is bicycles business, the revenue for the quarter was at Rs.147 Crores which is lower than what we had last year Rs.174 Crores and we had a loss of Rs.8 crores as against a profit of Rs.2 Crores in the corresponding quarter of the previous year, so that business has been weaker for us. In terms of the other businesses, the revenue was Rs.219 Crores compared to Rs.166 Crores in the corresponding quarter and PBIT was at Rs.14 Crores as against Rs.12 Crores in the previous quarter.



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TI's consolidated revenue was at Rs.4197 Crores for the quarter as against Rs.3643 Crores in the previous year. The profit for the quarter was at Rs.390 Crores as against Rs.418 Crores in the corresponding quarter of the previous year. CG Power and Industrial Solutions registered a consolidated revenue of Rs.1979 Crores as against Rs.1753 Crores in the corresponding quarter of the previous year and PBT was at Rs.264 Crores as against Rs.285 Crores.

Shanthi Gears, the subsidiary of the company in the gears business registered a revenue of Rs.126 Crores for the quarter as against Rs.115 Crores in the corresponding and profit was Rs.24 Crores as against Rs.23 Crores in the corresponding quarter of the previous year. Commenting on the results, Mr M.A.M. Arunachalam, Chairman TII said that TI continued its focus on cost reduction and operational efficiency through Kaizen, company exhibited strong performance in top line and also on bottom line with 14% growth on PAT, driven by the healthy performance from engineering and metal formed product divisions, our subsidiary CG Power and Shanthi Gears continue their strong performance and TI's board is declared an interim dividend of Rs.2 per share for the FY2023-2024. I will stop with that and we would be happy to turn it over to you for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit from Nvest Analysis Advisory LLP. Please go ahead.

**Rohit:** Good morning. Congrats for good set of numbers. The question is on basically at EV sale that we are going to make. We are going to sell some 5% to 10% stakes, can you please put some more clarity on it? What is the transaction? What kind of things going to happen?

**Vellayan Subbiah:** We will have to understand the question you said, 5% to 10%? What was the question?

**Rohit:** Actually, a sale is happening on our EV business side right?

**Vellayan Subbiah:** Sale of what?

**Rohit:** EV business like valuation of \$2billion determined for the EV business stake?

**Vellayan Subbiah:** No. We have not disclosed any valuation specifically for the EV business in which we raise funds. Is that your question kind of what valuation have we raised that in the EV business?

**Rohit:** Actually, I came across a news in article where we are talking about the selling some 5% to 10% stake in our EV business, so that is what I was talking about.



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**Vellayan Subbiah:** No, basically we have raised funds already in the EV business right. I do not know if you are saying that we are going to raise more funds in the EV business. We may raise funds in the EV business from time to time but if we raise funds we will disclose that we have raised funds.

**Rohit:** Okay and can you provide a comprehensive breakdown or explanation for the capex incurred by the company this year across the segment?

**Vellayan Subbiah:** You want capex by segment is that right?

**Rohit:** Right.

**Vellayan Subbiah:** We will get you that data. We spent Rs.220 Crores in TII of which Rs.160 Crores was on our engineering business.

**Rohit:** My next question is on the EV side. Since last three to four quarters, we are reporting losses. Can you give the indicative timelines like how many quarters for which we can expect the losses to continue in this segment?

**Vellayan Subbiah:** No. We are not giving any guidance on when the losses will stem in EV because we are launching new products there and that is why we have raised money specifically into the that business, so that we do not have to fund it further from TI right and it is a business which will take a while to establish and so we have focused on establishing that business we have got two products out and two more product platforms will be added this year.

**Rohit:** Understood, and on medical business side, so how do you see the potential particularly in this segment for next two to three years like what are the tailwinds happening in the sector or what are our own strategy to capitalize on those tailwinds?

**Vellayan Subbiah:** I request the moderator also to suggest that each person gets to ask two questions per round right, because we cannot have multiple questions all from the same person, so my guidance is like let us just come back, why do not you come back in the queue after the other question.

**Moderator:** I would request Mr. Rohit to please rejoin the queue for followup questions. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

**Anupam Gupta:** Good morning. For the EV business, you said that two launches happened, very recently for the three-wheeler business we saw your TV ad being launched on the net we saw that. Can you talk about that a bit later how the journey has been; there were some supply chain



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issues which you had referred to last call, so how that progress is happening and what sort of progress you should see in terms of launcher in the northern part of the country as well?

**Vellayan Subbiah:** Paul, you want to talk to that and then I will add.

**K K Paul:** We are making some progress on that vertical. We are actually now in the process of expanding our dealer network across other geography that is the first point. Supply chain stabilization has occurred and further work in progress is there. Production ramp up is happening and we are able to establish newer milestones for ourselves. Customer interface issues are getting improved day by day that is where we are at this journey in terms of the product across the geography that is the first talk we are having now in terms of this. The newer product offerings that Mr. Vellayan referred, would follow in a periodic fashion given the planning he has given and that is what we have at the moment.

**Anupam Gupta:** Sure.

**Vellayan Subbiah:** Specifically, Anupam, on the three-wheeler front, we had good response in the south. In southern markets, we launch in four states, we had good response there. Now we started moving to the north, because the north and the east are where the major markets are, so we started adding dealerships there, so this quarter we will start the process of adding the dealerships. We should start seeing traction next quarter. This quarter basically we will see growth in the southern markets and an initial seeding in the northern markets and then next quarter we should see some growth in north and east as well in addition to south. At the end of this quarter we will end up with about 75 dealerships across this country. We are at about 40 at the end of last quarter and the supply chain issues we are addressing as we go along so for the most part a lot of them will be addressed this quarter and they will be fully addressed by the end of next quarter, because initially we did have some challenges with charger supplies and reliability of the charges in the market, but now most of that is getting addressed. I am actually fairly encouraged by the three-wheeler performance right, so that that performance is continued to pick up fairly well. On the heavy truck side, basically we just started so usually what we are seeing as a sales cycle for the heavy truck is that the customers first want to trial the truck then they buy small number of trucks like two to five and then they start buying in larger quantities. We have had one customer order of a larger size now which is good, so delivery should start this quarter. Definitely the traction is going to pick up on that product as well. It is still early days, but some of the accounts we have got on that product are very solid accounts that have a lot of potential and I am fairly optimistic that will start growing as well and then on the other two products like we said we are in the process of homologating, the tractor and small commercial vehicles so both of



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those products should hit market later this year, we are estimating around August, September timeframe.

**Anupam Gupta:** Understand. Second question was on the medical business both CDMO and the Lotus numbers which you saw. Lotus numbers if you specifically see in this quarter there was both Q-on-Q decline as well as loss at the EBIT level. Maybe some color on why that happened and in terms of let us say next one year or over the next two, three years over the medium now, how do you look to scale up the Lotus Surgicals business?

**Mukesh Ahuja:** Anupam, thank for the question. Lotus, we are basically investing into the future; lot of investment is going towards the building the sales team as well as Europe getting some certification so that our exports can be announced. This business just we took over and we are investing into future. In future, you will see pick up, but some quarters we surely need to invest for the future that is the way it is going forward. Coming to the EBIT level, may this amortization of whatever intangible assets we paid it as per Ind-AS, we have to amortize over a period of time that is why able to see that negative, but which will be continuing for quarter to quarter it is accounting policy.

**Vellayan Subbiah:** The business is generating free cash. It is only because of the amortization issue, you are seeing a negative EBIT.

**Anupam Gupta:** Understand and CDMO if I understand right you were supposed to commission by the end of March, is that on track for the tax benefits which you had initially thought about and is that on track for that?

**Vellayan Subbiah:** Govind will give a quick update on CDMO.

**N Govindarajan:** The lab has been commissioned as far as building before March, the Kilo Lab already we got the consent to establish and next week we will be applying for the consent to operate by the time we will be ready with the facility as soon as that is made available. We have already developed couple of products to go into that facility to do that commercialization in terms of the semi-commercialization from the Kilo Lab.

**Anupam Gupta:** I will come back in the queue. This is helpful. Thank you.

**Moderator:** The next question is from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.



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- Vipulkumar Shah:** Thanks for the opportunity. What type of capex, will be incurring for all this electric three-wheeler, this truck?
- Vellayan Subbiah:** Do you want to know, what are the total capital employed in the business and how much are we going to incur over the next year?
- AN. Meyyappan:** We have incurred a capex of almost around Rs.450 Crores so far, all businesses put together in TICMPL as well as its subsidiaries so far.
- Vipulkumar Shah:** Would you repeat the figure?
- Vellayan Subbiah:** I will tell you what just give us a couple minutes we will just check and get back to you. Will it get their number for you? Do you have any other questions?
- Vipulkumar Shah:** No. Thank you.
- Moderator:** The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.
- Nishit Jalan:** Thank you for the opportunity. My question was on EVs, we have launched with three wheeler and tractors; just wanted to understand and what kind of capabilities have we built in house in terms of R&D or in terms of designing critical EV components right let us say a BMS or a battery pack or a motor or a motor controller so just trying to figure out what is the exact work and what kind of value proposition we are offering to customers, so from that perspective?
- Vellayan Subbiah:** It is a good question. Currently, we have about 250 people in R&D and that is for the product development, but you are also asking a good question in terms of what is happening in terms of motor, motor controllers, and kind of the actual component level development. The way we are looking at this is that version 1.0 of most of the products is going out with components that are basically already available in the market today. What we are then doing is beginning to separate out a team that is focused on more R&D for version 2.0 which is when then we will start getting an EV component architecture and an EV architecture overall that is more proprietary to what we are doing, so basically we are beginning to separate out our R&D teams so we have one set of R&D focus on the current product and on vehicle integration and one set of R&D focused on what the next generation will look like, because currently to take products to market, if you had to develop all of the components from scratch it will take way too long, so basically at the first level, the motors, some of them are being custom made for us, but they are being bought from third parties, the motors, the motor control units, the BMS, the vehicle control units and all of that. We



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are also beginning to set up battery packing capability, so that we are able to pack here though we will still continue to import the sales.

**Nishit Jalan:**

Thanks for answer. Just one followup here. If we fast forward three years, can you share some strategy as to what kind of R&D strength people you would be needing and what would be your focus areas because as you rightly said all components no company can design or manufacture themselves so what is it that you would want to do differently or basically want to focus on a proprietary basis, so that our vehicle gives a much better performance compared to that of the peers or other models available in the market?

**Vellayan Subbiah:**

It is such a good question. The proprietary components effectively kind of what is differentiated here, it is going to vary by segment. So if you take a three-wheeler what you are going to differentiate is very different from a tractor versus a heavy truck versus a small commercial vehicle, but basically what we are looking at is for each segment where we think the key differentiators are going to be? Definitely in the long term motors are going to be a very significant differentiator and that is a capability that we will have to have and develop motors and motor control units. But beyond that we are also fairly clear that we will not get into batteries at a cell level. We will continue to buy from outside at the cell level. Packing inside is going to become necessary over time and therefore the BMS capabilities also from a software management perspective will likely look at coming in-house over time. In terms of actual control units in the vehicles, telematics definitely is something that is going to get standardized and we do not see a whole lot of proprietary need there in terms of the hardware. On the software side, telematics will require some propriety development which we have already assembled the team to start doing today and then in terms of the other control units in the vehicle, they are going to be specific to which vehicle. It is some vehicles that are going to be more transmission intensive you will require some proprietary capability there, but otherwise if it does not then you know it is going to be more third party. I would say that as the vehicle start evolving for the next generation we are going to start taking first one or two key components and then take it forward from there.

**Nishit Jalan:**

Okay. Thank you for the detailed answer.

**Moderator:**

The next question is from the line of Jinesh Gandhi from Ambit Capital.

**Vellayan Subbiah:**

Before Jinehs's question, let us just give you the details on the capital.

**AN. Meyyappan:**

This is regarding the question on the capital employed and the capex spent and to be spent in the TI Clean Mobility. If you see our results, we have mentioned Rs.17 Crores as a





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capital employed as on December 31, 2023. This is because of the CCPS which we have raised in the business. If you consider then it will be something like Rs.1767 Crores is the capital employed in all the business put together in TICMPL. With respect to another question on the capex spent so far, we have spent around Rs.300 Crores so far till this year and next year we are planning to do almost around Rs.460 Crores for next financial year for all businesses put together in TICMPL.

- Moderator:** Mr. Gandhi you can proceed with your question now please.
- Jinesh Gandhi:** Just to clarify you said capital employed in the Clean Mobility business is Rs.1067 Crores?
- AN. Meyyappan:** Rs.1760 Crores.
- Jinesh Gandhi:** Rs.1760 Crores got it, okay. My question pertains to the export side of the business for the standalone entity. How are we seeing trends there, is export back to normal so far and incrementally are you seeing any headwinds either from the Russia/ Ukraine issues or otherwise?
- Mukesh Ahuja:** Export is back to normal, however we little bit headwinds on this logistics issue which according to us it is a very, very temporary phenomena, but in terms of customer uptake in terms of uh OEM product development, it is back to normal and that we see as a growth area going forward for TII.
- Jinesh Gandhi:** Okay, so exports now in standalone would be what about 17%, 18% of revenues or still little lower?
- Mukesh Ahuja:** It will be 15%.
- Jinesh Gandhi:** Okay. Secondly on the railway business in the metal formed side, we were seeing some signs of tendering up playing out in previous quarter, have those actually now started to come after COVID; it was quite muted? Is that segment also normalizing?
- Mukesh Ahuja:** Yes, tenders are coming back to the business, but we see one phenomenon here, maybe the little bit it is getting more competitive industry and we have to wait and watch going forward how we are going to do it then you to take steps how to do some course cutting inside or do the development where margins are more but tenders are back. Margin seems to be under pressure in the short term, we will take appropriate call depending on how it goes far.



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**Jinesh Gandhi:** Okay and yesterday's announcement of government of modernizing 40,000 bogies to Vande Bharat standards that will be adding to the existing opportunity or that may not be material for us?

**Mukesh Ahuja:** That will be a silver lining like what said we have to see two or three quarters going forward. If this 40,000 wagons gets implementation, there will be a big demand and maybe it will be straight away adding to our top line.

**Jinesh Gandhi:** Got it. That is it from my side. Thank you.

**Moderator:** The next question is from the line of Raj Shah from Marcellus Investment Managers. Please go ahead.

**Raj Shah:** Thank you for the opportunity. My question was as Vellayan mentioned about this R&D efforts that TII is taking. The question was we recently acquired non-critical Jayem Auto, so it is a automotive warranty company. We just want to know how this acquired entity will help us in the R&D effort that we are undertaking?

**Vellayan Subbiah:** Jayem is leading the development of the small commercial vehicle. Currently, we are developing the first product there which is a 3.5 ton small commercial vehicle and that is being driven out of the Jayem Facility and we will develop three products on the small commercial vehicle platform and all of them will be driven by Jayem initially so that is what they are working on, so that will keep them focused on that effort for this year at least and then they will get involved also and more integrated with our broader R&D effort.

**Raj Shah:** Okay, got it and another question was as per our original strategy, we have ballparked a figure of Rs.300 Crores per platform. Based on various platforms that we have undertaken EV, MHCV, LCV, tractor, I just want to know to get a picture where incremental capex would be required to meet that Rs.300 Crores figure; just to get a broad idea.

**Vellayan Subbiah:** Is your question how we going to meet that figure or is your question?

**Raj Shah:** My question is in which platforms incremental capex is going to happen, capex as in investment is going to happen?

**Vellayan Subbiah:** Beyond Rs.300 Crores, so if you see what is happening? First is like now the three-wheeler, the factory is built and that product, the two main areas we have is kind of good product going research and development and product and the factory build out. For three-wheeler for the first product which is the L5M that is complete, the factory build out for all the



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products on that platform is complete, but there is still some more R&D required and therefore some more tooling also required on the two other products the L5M and others. On the second platform which is a heavy commercial vehicle, the first version of the factory is built out and again first product is out and we are developing the next set of products. So again the spend that is required on R&D prototyping and getting those other products homologated into market and then once those products are out we will also need to spend on expanding the factory. On the small commercial vehicle, we will be incurring, tooling for the cabin and the factory build out costs over this quarter and next and tractor the factory is 85% built out, but that will also require some more cost around homologation and factory build out over the next three quarters.

**Raj Shah:** Okay. This is helpful I have other questions. I get back in to queue.

**Moderator:** We will take the next question from the line of Rohit from Nvest Analysis Advisory LLP. As the current participant is not answering, we will move onto the next question which is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.

**Saif Sohrab Gujar:** Thank you for the opportunity. My first question is on the large diameter tubes you had been talking about any update on that, any bins on that front and what investment you are doing on that?

**Mukesh Ahuja:** That part is doing pretty well. Like we shared in the previous calls, we are investing into that business. Capex is halfway through and it is expected to complete by maybe second quarter of coming year and trials are on whatever capex you completed already trials are going on and we are in the process of getting our product approved by the customers that is the current status of that project.

**Saif Sohrab Gujar:** Okay and how is the competitive landscape in that side of the business? Because other people are also talking about investing in this business, they see money on the table, so how is that evolving?

**Mukesh Ahuja:** You are right. Maybe let us say we are going the next phase of this investment where most of the material what we are expending is getting currently imported and there is a good headroom available for the exports market. This capex is for capability development rather than only capacity enhancement and we have taken care of that aspect, but they are existing in all the existing capabilities.

**Vellayan Subbiah:** They come on board, they will see behind us in terms of...



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- Mukesh Ahuja:** Overall project contribution
- Saif Sohrab Gujar:** Okay, I have one more question, but I will fall back in queue.
- Vellayan Subbiah:** You have one more you can ask, no problem.
- Saif Sohrab Gujar:** Okay, so just on the capacity side on the standalone business talking about particularly engineering and the metal formed business, so we make decent returns here and the reason being our plants are well depreciated, but for the incremental growth we are looking from what you have been mentioning, what type of investment would be require and what asset turns normally incrementally we should see from this business?
- Mukesh Ahuja:** As I shared earlier next year's also about Rs.350 Crores and we are getting into new geographies within India and we are investing into the new capabilities with those capex what we have planned for existing business in metal formed as well as using business forth.
- Saif Sohrab Gujar:** What I mean is what is the current capacity utilization for these two dividends on the standard books?
- Mukesh Ahuja:** Like as a philosophy of the company, we take calls on future expansion when we are running close to around 80% to 85% so current utilization is around 85% and we are building capacities for future, because we see this year itself will come closer to 95% or so and by the time capex also has a cycle time of around 12 to 15 months time, so we follow this curve and closely monitor.
- Saif Sohrab Gujar:** Thanks a lot and all the best.
- Moderator:** We will take the next question from the line of Abhishek from DSP. Please go ahead.
- Abhishek:** Thanks for the opportunity. Just in terms of we are beginning to see healthy recovery as far as two-wheeler is concerned, so how should one look at the engineering part of the division because you have a very fair high market shares there and should operating leverage and your cost efficiencies show up in the margin, this was my question on the engineering part of the business.
- Mukesh Ahuja:** Surely that is our attempt like two-wheeler business is reviving it, but ultimately like we have also over a period of time done the beautiful diversification between PV, HCV and two-wheeler and the three-wheelers that part of it and two-wheeler businesses because there is our majority of the turnover comes to if it is going to give a good growth cycle surely our top line as well as bottom line should go up going forward.



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- Abhishek:** Okay and in terms of both door frame and the engineering division, any major new client addition that you have done may not be in two-wheeler because there you already have higher market shares, but in the PV any major client edition that you have done which can increase the revenue growth from here on?
- Mukesh Ahuja:** we are trying to participate what Hyundai is going to come in the Gujarat plant and we are may be already submitting samples, but obviously it will take about another year or so from now, but that will be a customer acquisition in the PV market going forward in the west for the door frame business.
- Abhishek:** Okay. Thank you so much for answering my questions. I will fall back in the queue.
- Moderator:** The next question is from the line of Rohit from Nvest Analysis Advisory LLP. Please go ahead.
- Rohit:** Thanks for the opportunity again. Continuing with my previous question only like in the medical business so basically I want to understand the kind of tailwind that are going on currently in the sector and how we are going to capitalize on them?
- Mukesh Ahuja:** You are already aware in particularly medical health sector even the government is also focusing in our per capita health consumption in the country pretty less as compared to even medium developed countries and most of this medical and even in the CDMO site it is mostly imported and we are attempting that to do that import substitution as well as when the domestic market itself is going to grow in terms of health consumption per capita that we want to participate that is why our first move was in the future business which we are trying to do whatever is getting used in entire operation theaters in terms of mesh, in terms of sutures, in terms of staplers, we are slowly expanding into that all categories of the OT. On the CDMO side which is our 3xper innoventure, Govind, you would like to say respond on that.
- N Govindarajan:** As far as expert is concerned, there are recent clear observations that there are more traction towards India for biologics, but that will also help the small molecules because we are currently not in biologics, but the above effect is also expected on the small molecule so we expect that to benefit this in the medium to long term.
- Rohit:** Understood and just for a clarification like you mentioned raising of the fund for TI Clean Mobility; are we done with the raising of the funds or we are still looking for the raising of it?



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**Vellayan Subbiah:** I do not think we are necessarily done with the raising of the funds. We will raise one more round of fund. We said that before and we continue to be in the process of raising one more round of fund.

**Rohit:** Can you tell me what will be the source; will it be the equity or the debt?

**Vellayan Subbiah:** Equity. In some cases, it comes in a CCPS, but so either CCPS or equity.

**Rohit:** Amount is Rs.1000 Crores right?

**Vellayan Subbiah:** We have talked in that range yes.

**Rohit:** All the best for the future.

**Moderator:** We will take the next question from the line of Anupam Gupta from IIFL Securities. Please go ahead.

**Anupam Gupta:** Thanks for the opportunity again. Can you get some picture on cycles obviously there is weakness on the sales side and that is driving your losses, but how do you look at this for the next let us say near term any actions we can take to stem the losses?

**Mukesh Ahuja:** Anupam, thanks for question. You are right that business is going weak for us, but we have taken action for to diversify that business in terms of participating exports. As you are aware exports takes a little bit time for customer approval and we have to go through that process, but we are going to enhance our exports and we are also giving focus on other accessories business like spares and the fitness part of it. We are working on that and cost reduction initiatives are also being taken, so hopefully this business will start showing positive momentum.

**Anupam Gupta:** Thanks for this and one question on sequential margins. If you look at every segment in the business leave the CG Power aside because you know the reasons there, but every segment if you see Q-on-Q there is a compression in margins whether is engineering, metal formed, even Shanthi Gears so any specific reason that you saw in the what drove this or that should reverse or how do you look at the margins trajectory there?

**Mukesh Ahuja:** You see always Q3 after festival seasons are over and even exports customers also will go through the seasonality factor, models also start getting change in December, so you will see year-on-year this trend will be there, so this quarter phenomena and we should be back to the original margins. As the year whole and all we do not see any drop in margin will happen for standalone business as well as Shanthi Gears as well as CG Power.



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- Anupam Gupta:** Just one last question on the electronic side of it, any progress that we have seen beyond in the equation which you had done what is the progress there any further acquisition which you should expect there near term or how do you look at that?
- Mukesh Ahuja:** We are working on that. As of now we shared in the previous calls it was a baby step to participate the journey, but however we are looking into more opportunities and we will update based on the progress.
- Anupam Gupta:** Thanks.
- Moderator:** We will take the next question from the line of Raj Shah from Marcellus Investment Managers. Please go ahead.
- Raj Shah:** Thank you again. My question was if we take cash flow from operations for the standalone entity FY2023, it was around Rs.625 Crores, if this year we expect it to be Rs.700 Crores to Rs.750 Crores, so I just want to know how standalone cash flow should be deployed? You have already announced around Rs.200 Crores to Rs.220 Crores of engineering Greenfield capex that is this 3xper investment that that will be done so I just want to get idea about annual deployment of standalone cash flow?
- Mukesh Ahuja:** As we shared in the previous calls, the company at standalone basis will generate a free cash flow of around Rs.650 Crores, however we are in the capex cycle like we are doing investment in the engineering as well as metal formed business as well as we are doing the investment in the subsidiaries also, so we will see that maybe let us say we are monitoring as now at net debt level and we closely monitor that and our investments will not go beyond two times free cash flow which is about Rs.650 Crores so we closely monitor that and take care.
- Vellayan Subbiah:** Just to add on to what Mukesh said basically we currently have net debt in the order of about Rs.200 Crores so obviously the first part will go towards paying that down and then what we see is investment so if the core business takes about Rs.300 Crores then investments in some of these other businesses as they grow such as 3xper on the medical business could be uses of funds kind of other areas, it could be the uses of funds for the rest.
- Raj Shah:** Okay, that answers my question. Thank you very much.
- Moderator:** The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead



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**Jinesh Gandhi:** Any update on the optical lens business, that business has not seen much scale up beyond the pilot scale, so how are we thinking about that?

**Vellayan Subbiah:** I would say that we have had a real challenge in that business getting the product approvals from the customers, we are working with so we are still focused what we are learning it is quite a technical product and quite so we are still working with experts to basically get the products approved there. It has definitely been much slower than we wanted

**Jinesh Gandhi:** Okay and second question on the fund raise on the EV business side which you indicated so do we really need funds in the foreseeable future given the recent fund raise and the total cash which we have on books for that business, so would this fund raise be in near future or how do we think about this?

**Vellayan Subbiah:** We are in the process. Yes, it can be in the near future.

**Jinesh Gandhi:** Okay. Is that business will need that kind of cash given the investment which we are planning, already we are having a reasonable amount of cash on the books due to the recent round that way?

**Vellayan Subbiah:** That is a business where we do not want to be blindsided. All the competitors in the business, are all fairly strong competitors, so there we need to make sure that we are basically able to compete on the front foot in all of those four businesses we get into, so we want to be conservative there and raise enough cash so we do not end up in a situation where we have to be conservative for whatever reason or be extremely defensive for whatever reason to conserve cash.

**Jinesh Gandhi:** It is more of a having a backup, case on case as needed?

**Vellayan Subbiah:** That is right.

**Jinesh Gandhi:** Thanks, and all the best.

**Moderator:** The next question is from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.

**Vipulkumar Shah:** Any update on TMT bar business?

**Mukesh Ahuja:** We continue to do that business, because it is a trading business and as of now our focus remains in the south and it will continue.





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- Vipulkumar Shah:** Is it scaling up to our expectations?
- Mukesh Ahuja:** Yes, we may be careful in that business, we do not want to get into a situation where cash becomes a problem, so depending on we are dealing with all project orders and we want to be focused rather than getting into retail segment so we are moderating not to scale up too much, but as trading it will continue in our portfolio.
- Vipulkumar Shah:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for the closing remarks. Over to you.
- Vellayan Subbiah:** Lots of the questions were around the Clean Mobility business, so like we said we are quite optimistic there on the two platforms that we have launched on that front. On the core business, Engineering, Metal Formed continue to do well and we do see that opportunity as the environment basically begins to pick up going into the next financial year. Overall we are quite bullish going into the next financial year. Thank you.
- Moderator:** Thank you members of the management. Ladies and gentlemen on behalf of IIFL Securities Limited that concludes this conference. We thank you for joining us and you may now disconnect your lines.