"Tube Investments of India Limited

Q4 FY '23 Earnings Conference Call"

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MR.GOVINDARAJAN – CDMO BUSINESS

MODERATOR: MR. ANUPAM GUPTA – IIFL SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Tube Investments Q4 FY '23 Earnings Conference Call, 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 question after the presentation concludes. Should you need assistance during the conference call, please signal an Moderator: by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you, and over to you sir.

Anupam Gupta: Thanks Zico. Welcome everyone to Tube Investments 4Q FY '23 conference call. From the management, we have Mr. M.A.M Arunachalam, Executive Chairman at TII; Mr. Vellayan Subbiah, Executive Vice Chairman; Mr. Mukesh Ahuja, Managing Director; Mr. Srinivasan, Director and Head, Metal Formed Products; Mr. K.K. Paul, Managing Director at TI Clean Mobility Private Limited; Mr. Murali, Head Engineering Business; and Mr. AN. Meyyappan, the Chief Financial Officer.

I'll hand over to Mr. Vellayan for opening remarks, post which we can have the Q&A. Over to you, sir.

Vellayan Subbiah: Thanks, Anupam. The Board of Directors met yesterday and approved the financial results for the quarter. The Board has declared an interim dividend of INR2 per share in February and the same was paid to shareholders in March. Now there is a final dividend of INR1.50 per share for the financial year 2022-2023.

Good morning, everyone. So we'll just take you through the standalone results for the quarter and then I'll give you a quick consolidated summary at the end. So standalone revenue in Q4 was at INR1,663 crores, compared with INR1,735 crores for the same period last year. And for the year, it was at INR7,236 crores compared to INR6,359 for the same period last year.

PBT for the quarter was INR331 crores as against INR173 crores in the same period last year. PBT for the year is INR928 crores compared with INR628 crores for the same period last year. ROIC is at 54.5% for the year ended March 31st, 2023, compared with 46.8% for the previous year, and free cash flow for the quarter was at INR235 crores, and cumulative free cash flow for the year was at INR608 crores, which is 91% of PAT.

A quick summary; the Engineering business revenue for the quarter was INR1,044 crores compared with INR1,030 crores in the corresponding quarter and PBIT was INR132 crores as against INR103 crores. Revenue for the full year was INR4,562 crores compared to INR3,868 crores, and PBIT was INR549 crores for the full year as against INR376 crores which is a growth of 46%.

Metal Formed had revenue of INR347 crores as against INR336 crores, and PBIT was 45 crores as against 39 crores. Revenue for the full year was INR1,424 crores compared with INR1,240 crores in the same period last year. PBIT was INR174 crores as against INR136 crores, which is a growth of 28%.

For our Mobility, which is our cycles business -- bicycle business, revenue was at INR155 crores compared with INR249 crores, so that was our biggest drop, and loss was INR5 crores as against a profit of INR13 crores. Revenue for the full year was at INR800 crores compared with INR963 crores in the previous year, and PBIT for the full year of INR17 crores as against INR55 crores. Revenue for the quarter -- for other businesses was INR191 crores compared to INR194 crores, and PBIT for the quarter was INR11 crores as against INR4 crores in the corresponding quarter of the previous year.

Revenue -- full year for other businesses INR768 crores compared to INR562 crores, and PBIT was INR48 crores compared to INR36 crores. At a consol level, consolidated revenue for the quarter was INR3,778 crores as against INR3,393 crores, and consolidated profit was INR403 crores as against INR291 crores. For the year, consolidated revenue was INR14,965 crores, as against INR12,447 crores, and PBT was at INR1,593 crores as against INR1,111 crores.

I think when we talked about the performance of our subsidiary, CG Power and Shanthi Gears remain the two main subsidiaries that we have talked to. Commenting on the financial results, Mr. M.A.M Arunachalam said Engineering and Metal Formed Products businesses continued their good performance in the fourth quarter as well. The bicycle industry continues to suffer from contraction in the market and our bicycle business worked to its cost reduction and improving overall efficiency through pricing. Overall, the company has delivered excellent results and profitability. Our subsidiaries, CG Power and Shanthi Gears have registered a strong performance and delivered strong results across all segments.

So let me stop with that, Anupam, and we'll be happy to turn it over to the audience for questions. Thank you.

Moderator: Our first question is from the line of Anika Mittal from NVEST Research. Please go ahead.

Anika Mittal: Good morning, sir. My first question is, during the quarter 4 financial year '23, I noticed a profit of INR166 crores from the discontinued operation mentioned in the consol financial statements. In the notes, it is stating that CG Power has received a liquidation order for one of its subsidiaries. Could you please provide more details on the reasons behind the liquidation and which item this profit belongs to?

Mukesh Ahuja: So I think the question is on the liquidation of CG Power subsidiaries?

Anika Mittal: Yes, sir.

Mukesh Ahuja: So I think that is specifically talking to PSOL, or are you talking about the Belgium subsidiary?

Anika Mittal: In the consol statement, if you notice that there is a profit of INR166 crores of discontinued operations?

AN Meyyappan: We have a subsidiary in Middle East, CG Power, Middle East, where they have certain liabilities on their balance sheet. So since it was there in the balance sheet, once the subsidiary was liquidated, this amount got written back into the balance sheet of CG Power and thereby got consolidated EBITDA, so that's the reason for this profit - that's the profit of deconsol.

Anika Mittal: Means profit of deconsolidation.

AN Meyyappan: Yes.

Anika Mittal: What is the reason behind this liquidation?

Mukesh Ahuja: As you know that CG Power has been liquidating or closing down all of its non-operational assets. CG Power had a lot of non-operational subsidiaries overseas, which have been closing down.

Anika Mittal: Okay. Okay, sir. Thanks. And my second question is, a company with FDI and other multiple investors has planned to invest in subsidiary TI Clean. What is the rationale behind this investment and how company is going to utilize this amount?

Mukesh Ahuja: Okay. Is your question that Multiples have invested in TICMPL? Is that your question, ma'am?

Anika Mittal: Yes. In the TI Clean Mobility Private Limited...

Mukesh Ahuja: TICMPL is a company that is a subsidiary that's basically making electric vehicles. And so, the money has been raised to basically develop and manufacture electric vehicles that we will sell, and that is the reason why we raised the money.

Anika Mittal: Thanks. And how the company is going to utilize this amount, means up to when it can utilize, and in what way you can utilize?

Mukesh Ahuja: So it will go towards either product development or manufacturing of the electric vehicle.

Anika Mittal: Okay. And sir, what is the strategy behind the acquisition of Lotus Surgicals Private Limited?

Mukesh Ahuja: So as we've already spoken, we are looking at kind of new lines of business to basically diversify into. And we've talked in several previous calls as well, saying that the medical products and consumables business will be a space that we're getting into. So this is a completion of the acquisition in that area.

Jinesh Gandhi: Hi, sir. A couple of questions from my side. One is on the existing business, both Engineering and Metal Formed, we are seeing a flattish kind of revenue performance on a YoY basis. Is there any negative impact of commodity cost deflation over here and the underlying business growth is strong, or can you highlight any other factor which has led to this weaker revenue growth?

Mukesh Ahuja: So you are right, Jinesh, because of the raw material prices coming down in Q2 and Q3, which we have to pass on to our customers based on whatever contract we have with our customers. Because of that, it is coming down. Otherwise, on absolute volume basis, both the Engineering as well as Metal Formed are growing, irrespective of two-wheelers' muted demand, we're able to grow it.

Jinesh Gandhi: Sir, would it be still growing on a volume basis, on double-digit basis, or any indication you can give on the actual growth, underlying growth?

Mukesh Ahuja: It will not be double-digit, but it is a higher single-digit growth we will be shortly there.

Jinesh Gandhi: Okay, got it. And second question pertains to the Mobility business. So it seems we further had losses on the electric 3-wheeler business sitting in PBIT of Mobility. So can you quantify the loss for the quarter and for the figures for e-3-wheeler business?

Mukesh Ahuja: Yes. I think, maybe we should also change our nomenclature. So mobility business that we talk about in the income statement that I just talked about is the bicycle business. And TICM or TI Clean Mobility is a subsidiary and that is the electric vehicle business. So Jinesh, you can just clarify, which business are you asking about?

Jinesh Gandhi: I was looking to the standalone, the Mobility business in the standalone had losses. So I believe until last quarter, the e-3-wheeler losses were sitting in the standalone side and now the shift has happened of e-3-wheeler to subsidiary?

Mukesh Ahuja: From March '22 onwards, 3-wheeler has always been in the subsidiary. What we've seen in Mobility is only the bicycle business. So maybe, we'll also change the language in what we call them next time -- so mobility and the loss you are seeing is for the bicycle business, Jinesh.

AN Meyyappan: And that's a one-time loss, maybe in the Q4 we have booked it because of some internal things which is a one-time.

Jinesh Gandhi: Okay. And what could be the quantum of one-time impact?

AN Meyyappan: Whatever loss you are able to see, that maybe you can say...

Mukesh Ahuja: It would have been flat without it.

Jinesh Gandhi: Okay, got it. And lastly, can you clarify on the TI Clean Mobility, what kind of dilution will this fundraise result in? And...

Mukesh Ahuja: This question has been asked. We've not disclosed, part of the reason is that it will be a variable amount, right? And -- so, we've not disclosed it from that perspective, because it does depend on the actual performance of the businesses.

Jinesh Gandhi: Okay. But any range for stake which you get benefit, based on this?

Mukesh Ahuja: Jinesh, I think we'd rather not give a range.

Moderator: Thank you. Our next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Hi, Thank you for the opportunity. So my questions are on the launches on the electric vehicle side. Just wanted to understand when are we planning to start the launches of the three-wheeler tractors and any updated timelines that you can share? And what has led to the delays compared to your previous expectations?

Mukesh Ahuja: I think two things. The launch of the three-wheeler we have started now. So we have launched in the southern states of Karnataka, Kerala, and Andhra. Currently, also the launches going for the product in industry very well and we're in the process of ramping-up the production of the three-wheeler. So that's about the three-wheeler.

In response to the question of your delay was because of the change in the standard dictated by the Government in terms of the AIS standards for homologation. So we had to rehomologate the product once more, the battery, the motor, the controllers, so on and so forth. So there were delays associated with that, which was statutory in nature and we have to comply with that. Other than that, from our trial whatever the improvements we had to do till this period, we have done. And now we're launching it. That's as far as three-wheelers are concerned.

As far as the tractor vertical is concerned, we're in the process of developing the product, the first lot of tooled up sample will be done in the June-July period. And post that, from those trials, whatever rectification we have to do, we will do. And then have the homologation done and go-to-market from there and that’s how the tractor scenario is

As far as heavy-duty truck is concerned, we're in the process of now selling the trucks. We are manufacturing the trucks in our new manufacturing facility at Manesar. And we have lined up customers and we are in the process of selling quantum -- we're carefully selecting the customers and are doing some trials, and then getting into sales.

But the same thing happened this month, albeit slowly. And then, we have the customer and we have confidence, we'll be scaling up the volumes in the subsequent months. But the manufacturing facility to scale up these volumes isn't fixed. And now we are getting the market organized in terms of this to be able to do that, along with the financing so on and so forth. Hope that answered your question.

Nishit Jalan: Yes. So just a couple of follow-ups. So from your comments, I assume that the trucks product -- heavy truck product has already been homologated and the process of selling and manufacturing has started now. Is that correct understanding?

Mukesh Ahuja: That's correct. We just got in the AIS-156 Part 2 homologation done, and now we have the certificate with us and we are waiting for that, although we were ready for manufacturing. And once we get the official certificate, which will be in a day or two then we would be in a position to take the sale.

Nishit Jalan: Got it. That's good to hear, sir. And secondly, on the 3-wheeler EV side, can you clarify if we would be getting sale incentives for these products? Are we meeting all the requirements of sale?

Mukesh Ahuja: We are meeting all the requirements of sales. Till the time, the base subsidy is there, we would be receiving the subsidy. Actually, our MIS is totally geared and from the invoice, it has actually progressed onto their portal, and from there, it automatically will register for the base subsidy. So that's all in place. Till that time, the base subsidy is there of the three-wheeler, we'll continue to see that.

Nishit Jalan: Got it. And just one last final question is on the overall capex. Just wanted to understand what is the total capex for FY24 for the standalone business, as well as for the EV subsidiaries or maybe any medical devices that we've acquired, any capex that you have planned for this year?

AN Meyyappan: So the total capex is INR800 crores. That will include kind of our existing Engineering business, as well as new initiatives. And then we have a separate capex for TICMPL, which will be in the range of about INR300 crores to INR400 crores.

Nishit Jalan: And the standalone INR800 crores will also include the investments that we will make into the subsidiaries as well, right?

Mukesh Ahuja: Yes. That's right, things like medical and everything.

Moderator: Thank you. Our next question is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.

Saif Gujar: Good morning, sir. Thanks for the opportunity. My first question is on the Engineering business. So last quarter, we had talked about some muted demand from exports. So from Jan '23 onwards, how has been the trend in terms of exports there?

Mukesh Ahuja: As we discussed last time, maybe Q4 was a little bit slower, it is almost flattish but we are able to see a good uptick in demand from Q1. So you will see numbers improving going forward in the Q1.

Saif Gujar: Okay. And in term -- my second question is on the Metal Formed business. So any traction we've started seeing in railways now?

Mukesh Ahuja: KRS, you will take this?

K. R. Srinivasan: Yes. Srinivasan here. Railways are in the process of making, production scheduling plans, for coach factories. So end of this quarter, we are likely to see the tenders getting released. So we hope the demand to go up in the second quarter, we'll be getting orders in the second quarter. That is the outlook so far.

Saif Gujar: So, in which sub-segments we are mainly focusing on, within railways currently?

K. R. Srinivasan: We'll be focusing on the coach segment -- passenger coaches.

Saif Gujar: Okay. And anything on freight side? Do we plan to bring in new products or it would be only on the coaches side only?

K. R. Srinivasan: Majorly, it will be on the coach side. On the freight side already, we have our product lines. But railways are in the process of finalizing their dedicated freight corridor plans. Once those plans are out, then I know we'll be ready to take on that demand.

Saif Gujar: Okay. And sir, my last question, TI-2 and TI-3, any further opportunities we have identified in there, currently?

Mukesh Ahuja: So there is nothing specific beyond what we've already talked about at this stage. Like we said, we continue the process of looking at opportunities, but there's nothing specific on it.

Vellayan Subbiah: And in addition to that, as of now, we are in execution mode for medical subsidiary, Lotus, what we discuss, it is executed and CDMO also is going to, let's say, we have started the process in this quarter. Meantime, we are identifying new opportunities.

Moderator: Our next question is from the line of Kaushik Mohan from Ashika Stock Broking. Please go ahead.

Kaushik Mohan: Thanks for the opportunity and congratulations for the great set of numbers. Just wanted to understand, while reading your report, I just came to understand that long-term borrowings for an aggregate sum of exceeding INR300 crores. Can I understand why is this borrowing is coming, and what has this been used for?

AN Meyyappan: It's an enabling resolution which we have got. We have not borrowed anything at this point in time. Our long-term debt is zero at this point in time, and that's the enabling resolution which we get every year.

Kaushik Mohan: Got it, sir. And another clarity on a normalise basis, your -- this time, your cash conversion cycle has been very strong. Can we assume this trend to be in the future?

AN Meyyappan: Yes. We continue to focus on the cash generation and we'll continue to deliver on that.

Moderator: Thank you. Our next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Mr. Abhishek, your line has been unmuted. You can go ahead with your question.

Abhishek Poddar: Hi, sir. Regarding this TICMPL, I wanted to understand how should we think about the economic interest that the company will retain in this EV Mobility business. Some understanding that what is today and how it will be shaping up to in the future?

Mukesh Ahuja: So I think you all are ending up with the same question. So let us then think through how to communicate this -- that you guys get the answer that you're looking for.. Let us think about how we can kind of communicate it in a fashion that we used to.

Abhishek Poddar: Understood, sir. And sir, also about this business, currently it's EBIT loss, so any internal targets that you want to share, that when it will be breaking even at, let's say, EBITDA level, at PBT level, timelines or some understanding and how many years it would take?

Mukesh Ahuja: I think it's very difficult to say at this stage. I mean our current plan basically says that will take a minimum of 2 years, right. So I think that's the best assumption we can take.

Abhishek Poddar: Right. And should we assume that 3-wheelers will be the first one to break even and followed by heavy duty and then the tractors?

Mukesh Ahuja: I would say, you can't determine that but it'll be something -- it will either be heavy-duty or three-wheeler. Yes.

Moderator: Our next question is from the line of Sunder S from Avendus. The line from Mr. Sundar, has dropped. May I request the management we move to the next question? Our next question is from the line of Mr. Manoj Bajpai.

Manoj Bajpai: This is more strategic in nature, especially on the strategy on the seeding new platform that is T1-2. What I wanted to understand was, are there any earmarked figures from cash flow, which you think that this is amount of -- on or percentage wise we are going to deploy over the next 3, 4, 5 years into this particular strategy. And what are the kind of timelines you're looking at, probably stopping this or probably seeing how your investments plan out and then taking the next level of call. So that's a question which I have.

Mukesh Ahuja: Yes. So as you look at it, this year, about 50% of the cash flow will go towards this and 50% will go towards the existing TI-1 cash flow expansion opportunity. So I think that number can vary whatever TI-1 needs, they will get and so then that kind of helps us determine how much we can put towards TI-2.

I mean, we've always articulated this, right, saying that the maximum, we will go up to 2 years negative free cash flow, and we continue to kind of reiterate that same comment. And like you know this far, we've been able to manage with pretty much no debt, but that is central to our planning as well.

Manoj Bajpai: And in terms of the product portfolio expansion or probably the lines of business which you are looking at. Currently, you have probably invested in 2, 3 similar line of businesses. One is into Mobility, second is into, say, Automotive industry. So are there any specific areas which you are specifically looking into this particular strategy of seeding new businesses?

Mukesh Ahuja: Yes. I think we've talked about this criterion a couple of times in previous calls, right, which is based on kind of where we see India's GDP growth coming from, how India is going to shift over the next 10 to 20 years. That is the first kind of gaining factor.

The second is, we've talked about using India as the market opportunity and then expanding, using that as a way to kind of start exports to the rest of the world, but India being a first market.

So there's several different filters and we've talked about these filters in prior calls as well. So none of those criteria are changing, I would say, from our perspective we continue to use the same criteria and the same approach, to filter industries...

Manoj Bajpai: Just last one, a small one that, what is the kind of timeframe you are internally looking to give to a particular business, in terms of its success or rather pulling the plug on this business if it is not working for you? So you have any sort of internal thought process on that, that maybe 3-year, 4-year you'll give to business and then take a call?

Mukesh Ahuja: So I think in between 2 and 3 years, we have like what we would call a go, no-go check, right, and that is basically seeing whether we continue or not, right? But that doesn't necessarily mean that the business has to scale within that timeframe. It just means that the conditions with which we went in, need to be maintained and we need to continue that we are convinced that, that business continues to be a good opportunity. So that's basically how we're looking at it.

Moderator: Thank you. Our next question is from the line of Mr. Sunder S from Avendus Spark. Please go ahead.

Sunder S: Yes, thank you. Sir, the first question is on the standalone business. I just want to understand, has all the raw material impact been passed on or should we see some impact coming through for the next few quarters too?

Mukesh Ahuja: We have various customers. I mean, some part is already passed on and something will happen in the Q1 also. It is not that entirely is passed on.

Sunder S: Perfect, sir. Thank you. And the second one, Mr. Vellayan, can you -- so there are some parts in terms of the venture into the CDMO, because this was something that was not discussed earlier. What was the thought process here and how should we look at this business from a 3-year perspective?

Vellayan Subbiah: So basically, we've been having discussions with Govind, who has basically kind of helped found the business with us, I would say, for over -- close to between 18 months now almost I would say. The reason really is that we see CDMO as a huge growth opportunity for the country itself. As you know, globally, a lot of it has been done in China. and the large CDMO people in China, I would say, are almost like 10 times the size of the largest player in India.

With what's happening kind of geopolitically, a lot of that is beginning to shift now towards India, and I would say, strongly in India's favor. So our belief is that over the next decade, it is a good opportunity to kind of grow in this business. And like I said again about the businesses -- we are really taking -- a 25 to 30 year view, so that is our thinking kind of going into this. And specifically towards our plan for the three years, Govind, do you want to jump in and kind of provide your perspective?

Mr. Govindarajan: Yes. I think three years is a period like it is too short on the manufacturing process and you would agree with us, because we have to get the plant ready, and file the product and get it inspected, and that is a timeframe by which I think all this would happen, so that I think we'll be able to promote the manufacturing business more with the customers, including emerging pharmas and integrated companies. And by that time, I think the lab would have started delivering the FTEs, is what I would say what the three-year period looks like.

Sunder S: Right, sir. Thank you for that perspective. And one last one on TICMPL, should we assume that TI's investments into TICMPL would be limited to committed amount as of now?

Mukesh Ahuja: Yes, we have already said that.

Sunder S: Okay. So, it wouldn't exceed beyond the INR750 crores that we've committed?

Mukesh Ahuja: No.

Sunder S: Perfect, sir. And last one is on the FAME subsidy, with several state governments indicating that they would want to pull out of the FAME subsidiary, how do you look at this impacting the TICMPL, specifically on the 3-wheeler side?

Mukesh Ahuja: So, Yes. So, like we said in our other platforms, both on tractor and on heavy-truck, FAME is not there. But even on 3-wheeler, we have not -- we don't have any FAME in our business plan and assumptions beyond March '24.

Sunder S: But you don't see that impacting the penetration of the category itself, because the breakeven significantly widens once you remove the FAME subsidy?

Mukesh Ahuja: See, we believe that all of these categories have the ability to kind of breakeven over time, right. So would we support it if FAME was extended? Absolutely. But does it mean that we will not kind of have -- we'll pursue the business if FAME was not there? No, we will continue to pursue the business.

Sunder S: Fair enough, sir. And one last one, can you throw some light on the capacities that we currently have on the EV side, on 3-wheeler, HCV as well as on tractor? And where are we looking to ramp it up with the cash flow that's come in?

Mukesh Ahuja: So three-wheeler -- Okay. Go ahead, Paul.

K.K. Paul: On 3-wheeler, we have a capacity of 90,000 3-wheeler annually. On the tractor side, the capacity is about 25,000, for the heavy-duty trucks2.500 to 3,000.

Moderator: Thank you. Our next question is from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: A few questions. Sir, on the standalone part of the business, you have a substantial contribution from 2-wheeler, which is kind of coming in. So any outlook on that industry? Any thoughts in terms of recovery on that and sustenance of the volume growth? Any thoughts on that, sir?

Mukesh Ahuja: Abhishek, maybe, let's say, like, we know that we can't control the industry. What we can do is how can we focus on the other, let's say, other industry. Like CV is doing pretty well, EV is doing pretty well. There is a good exports opportunities available, and Government is spending huge money on the construction side. How we can leverage that? So we are working on that. At the same time, we have sufficient capacity, even 2-wheeler does well, we will be able to participate in that. And there, we are working on some new product development, because the introduction of EV and the light-weighting, is going to have some opportunities. So we are going to participate in that also.

Abhishek Ghosh: Okay. So it is fair to assume, sir, the standalone capex that you've spoken about, 50% of that INR800 crores, majority of that will kind of go into these segments which are seeing growth areas, and not so much into 2-wheeler? Is that the way to look at it?

Mukesh Ahuja: There is no more investment in the 2-wheeler side -- capacity.

Abhishek Ghosh: Okay, great. That's helpful. Sir, the other thing is, to one of the OEMs whom you already provide some of the products, they have spoken about a large investment in Chennai. You think that can be beneficial to you? I think last week they've announced that, so you think that can be beneficial to you over the next 3 to 5 years? Any thoughts on that?

Mukesh Ahuja: Over the years. Like, you know, TI participates in all the OEMs, maybe were clearly present. So any investments planned in the new, whether it's in the South or West, we are surely going to participate in that.

Abhishek Ghosh: Okay, great. Sir, just one question to Vellayan sir -- in terms of -- if you look at the new investments in last 12 to 18 months, you've got into medical devices. You also have spoken about electronics, now CDMO, EV also, it's kind of ramping up. So obviously you've also spoken about many more areas, but for now, is it fair to assume that over the next 12 months, you would want to consolidate and bring all these incubating businesses to a certain level. And then when you look at investments into new or how should we look at it? Just your thoughts there, sir.

Vellayan Subbiah: Yes. I mean, obviously, kind of these businesses now are going into execution mode. And so, that is definitely the intent, right? So, like we've said with some of these, you can time all of these perfectly. What we will do is continue to manage our cash flow with the criteria that we have specified to you, right? But you are right in the sense that with a lot of new businesses now, our focus is moving more to the execution mode and being able to kind of get performance on these things.

Abhishek Ghosh: So I was more trying to understand on the -- on your bandwidth cash flow, and we have seen the way you have executed, But on your bandwidth, just from that perspective, so that's the only way we are trying to understand.

Vellayan Subbiah: Yes. I think your statement is fair. But like this -- like I said, the exploration side is something that will always be an ongoing exercise right, because it's part of kind of identifying things for the long term. But the majority of my time is going to be spent on kind of ensuring that the execution of the existing businesses happens more.

Moderator: Thank you. Our next question is from the line of Pritvi Raj from Unifi Capital.

Pritvi Raj: Sir, I just have one question. So right now we are getting into many new businesses. So maybe 5 years down the line, how do we see these revenues contributing to the -- overall to business? I mean, any rough sense on some percentage number?

Mukesh Ahuja: See, it's a bit tough to predict. I think we've always kind of guided that TI-1 -- our current belief is that TI-1 will grow at between 12% and 15% a year, right? Somewhere in that range. But TI-3 is very difficult to kind of predict what that revenue contribution would be, right. As you can see kind of consol, now our other businesses are kind of as large as TI, and maybe even larger.

So it's a bit difficult because of the lumpy nature, but obviously, our broad view is that each of these businesses has the potential to be at least as large as TI is today, which is why we are getting into that, right? So whether they reach that potential within 5 years or 8 years, we need to see. But that is the belief with which we are going into it, right, with each of these new businesses.

Pritvi Raj: Okay. And one question on TI Clean Mobility, is it possible for you to quantify the losses in this quarter and in this financial year? I mean, TI-3?

Mukesh Ahuja: Losses for the quarter were about INR28 crores.

Pritvi Raj: And for the year?

Mukesh Ahuja: We can't predict for the year.

Pritvi Raj: For the previous...

Mukesh Ahuja: For the previous year...

Pritvi Raj: '23 full year?

Mukesh Ahuja: INR102 crores.

Moderator: Thank you. Our next question is from the line of Dhruv Bhatia from Bank of India Investment Managers.

Dhruv Bhatia: Sir, actually my question is on Shanthi Gears. Though, I understand that you don't like to answer on them, but let me try my luck. As you know -- generally on a quarterly basis, you do provide the order inflow and order book for Shanthi Gears. But this time, you haven't provided it. If it's possible to share that data?

Moderator: Ladies and gentlemen, please stay connected, the management line has dropped. We'll reconnect them quickly. The line for the management has reconnected. Mr. Dhruv Bhatia, you can go ahead with your question. Could you please repeat your question?

Dhruv Bhatia: Sure. So sir, actually, my question was on Shanthi Gears, and I was saying that I do understand you don't like to answer questions on Shanthi Gears on this call. But let me try my luck. Actually, generally, you provide the quarterly order inflow and order book for Shanthi Gears but this time around, you haven't provided. Is it possible to share the order inflow and order book for Shanthi Gears?

Mukesh Ahuja: I would say, again, because we don't want to start this off with again, the same kind of trends starts up. I would just suggest you can write to TII Investor Relations if you want. And with that -- with your specific questions and if it is shareable data, then we can see -- we have to disclose it in the public domain to everybody, so will think about how to do that.

Moderator: Thank you. Our next question is from the line of Hardik Doshi from White Whale Partners.

Hardik Doshi: My question is actually related to the CDMO business. Typically, most of these diversifications or acquisitions may be done, it's been more towards auto or auto-related or that there's actually hard manufacturing that's done. I just want to understand from the CDMO perspective, what is the TI's value addition out there?

Mukesh Ahuja: See, I mean, again, when you think from a multiple -- I always think of it as kind of, you take so many guys who have grown, right? I mean like -- I mean, like you know kind of one of our models is Danaher, right? And when I look at Danaher, what they really bring to the table is, their approach to the business what they called DBS, right, called Danaher Business System. And we are trying to kind of define the same for ourselves in what we call TI Way, right?

And so, actually what makes Danaher kind of our view as competitive as it is, is the fact that it can bring DBS to every business that it goes into. And similarly, the way we look at it in terms of new businesses, we see it as an opportunity to bring that kind of thinking to every business we go into. And that specifically then kind of adds implications for sales and marketing, for operations, and for R&D, and our approach to sales and marketing and how we can help.

So having access to kind of, you know, what I would -- a larger and more scalable global organization, obviously, kind of helps you think very differently from how a startup would approach it, right. And so, I think that that has inherent advantages. So those 2 things, kind of the access to the global organization and using TI Way just like Danaher uses DBS, I think is the core to kind of how -- what we can bring to it.

Hardik Doshi: Just continuing on that TI Way. Have we, like, kind of -- I mean is that DTA kind of guidelines and, kind of something that you like, you know, already formulated, and is it possible for us to like kind of accept that or see that?

Mukesh Ahuja: No. It is something we use internally. It is kind of continuing to involve as we continue to work with Shingijutsu and other leading consultants in that process. But it's not something that we share in public domain, like Danaher shares DBS.

Moderator: Our next question is from the line of Vimal Gohil from Alchemy Capital Management.

Vimal Gohil: My question on TI Clean Mobility has been answered. I just had a question on the standalone piece regarding the Others segment. My belief is that we include our industrial chains export business in this. The YoY slight decline that we see in these businesses would largely be explained by that, or is there any other segment which might have contributed to that? Thanks.

Vellayan Subbiah: As you rightly mentioned, actually, it's not just industrial chains exports, the entire industry chains that's part of the other segment. Your assessment in terms of decline in the exports is correct.

Vimal Gohil: Sir, could you provide some more detail around the other products that are included in the other segment? What was the performance there?

Mukesh Ahuja: So, I guess -- that our Other businesses was -- which were incubated in the others which has now been consolidated, which is our TMT and certain other businesses, along with the industrial chains.

Vimal Gohil: Right. And how are these businesses doing, excluding the industrial chains, that the TMT, the others...

Mukesh Ahuja: I guess, it's a commodity business at the moment, but we are kind of -- we've reached a stage where we know how the business is performing. So we are still evaluating as Mr. Vellayan said, we are looking at a 3-year to 5-year timeframe that we decided in terms of how we want to do -

- go ahead and do this business there. So, Yes. So we are in that phase where we probably -- we have a dedicated business team which is handling it, who will take an appropriate call on that. As of now, there is no systemic concerns or whatever.

Vimal Gohil: Understood. And the export business will -- is expected to improve. When you said that the overall exports, that would include the industrial chain exports as well?

Vellayan Subbiah: Yes. Mr. Mukesh already alluded on that. I think he mentioned that we can see some uptick in Q1 and onwards.

Moderator: Thank you. Our next question is from the line of Mr. Anupam Gupta from IIFL Securities Limited.

Anupam Gupta: Yes. Just continuing on the exports , sir. Firstly, what was the total exports share for the standalone business in FY '23?

AN Meyyappan: It's about 17%, Anupam.

Anupam Gupta: Okay. And if you were to split it between engineering and industrial chains, so what was the share if you are sharing that?

AN Meyyappan: Generally, we report together, Anupam, as of now, we -- at the TI level, export numbers and we'll continue to do that.

Anupam Gupta: Sure. And do you -- would you say that this target to maybe double in 3 years in terms of share, is that target still on or do you see any changes to that?

AN Meyyappan: Surely. We want to double it. But maybe 3 years will be a little tougher. But we are working on that.

Anupam Gupta: Okay. Okay. Understand. Sir, the second question is, you said the capex for standalone would -- capex and investment for standalone is INR800 crores for FY '24, is it right to assume that it includes the INR285 crores for CDMO and INR233 crores for Lotus in that, or is it separate?

AN Meyyappan: Yes, it is inclusive of that.

Anupam Gupta: Okay. So the balance, approximately INR250 crores, which you will do, apart from these 2, is targeted towards what sir, in terms of the standalone business?

AN Meyyappan: It is the existing businesses. Maybe, let's say, what we do with Engineering, Metal Form will go towards those capex'es.

Anupam Gupta: Okay, I understand. And the INR300 crores to INR400 crores capex which you said for TI Clean Mobility, what is that directed towards? Any specific thing which you can highlight there?

AN Meyyappan: As Mr. Vellayan already mentioned, it is going towards the product development and building manufacturing plants. It's going to go towards that.

Anupam Gupta: Okay, understand. And just one last question, sir. Any update on the optic business which was -- which you had trials on for?

AN Meyyappan: So Anupam, it is still going on. Maybe we have made progress internally in terms of quality and all those things. In acquisition of customers, maybe still work is in progress, and we'll share with you once we are able to crack that.

Moderator: Thank you. Our next question is from the line of Rishit Jhaveri from Pi Square Investments. Please go ahead.

Rishit Jhaveri: So I wanted to know your growth outlook for FY '24 for the standalone segments.

AN Meyyappan: Generally, you know, we don't share forward-looking numbers. But we are confident to grow better than the industry growth, that's how maybe I can give an indication as of now.

Rishit Jhaveri: Okay. And also to mention that the Bicycle business had seen a demand pull-out from the market. What's your take there? Are you seeing any demand uptick in the next 2 quarters?

AN Meyyappan: Yes. As of now, let's say, this is a tough business, the way demand is contracting. So we are internally focused how to cut down costs and do it -- work whatever we are doing for existing business like Export Development, that work we have started to build capabilities and we are hopeful to revive it.

Moderator: Thank you. Our next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services.

Jinesh Gandhi: Hi, sir. A couple of clarifications. There is other income which has gone up quite substantially in this quarter. Is there any one-off or this includes dividends from some of the subsidiaries?

Vellayan Subbiah: Yes. We have received dividends from CG Power, INR133 crores is included in that.

Jinesh Gandhi: Okay. Okay. Got it. And secondly, when you look at the optics lens business, we are clearly focused on glass lenses. But with the evolution of mobile manufacturing scenario in India, are we also looking at plastic lenses given that opportunity also will be very large?

Vellayan Subbiah: Yes. So not at this stage, right? So first, let's see if we can stabilize this business and we can look it up.

Jinesh Gandhi: Got it, got it. And lastly, with respect to the INR1,200 crores fund raised through the private equity on the EV side, our investment requirement in the foreseeable future would be about INR750 crores in the 3 businesses put together, right?

Mukesh Ahuja: No, no. So just to clarify, if you talking about TI's investments into it?

Jinesh Gandhi: Yes.

Mukesh Ahuja: TI's investment into it. The incremental investment amount is only about a INR120 crores

Jinesh Gandhi: And I'm sorry, I meant

Mukesh Ahuja: The rest has already gone into the business.

Jinesh Gandhi: Yes, I'm sorry, what I meant was, that the investment requirements of these businesses. During the past, you had be indicated INR250 crores per business on the EV side, the capex requirement or the investment requirement of each of those businesses. So in that context, I was just trying to understand is there any change in plan, we are accelerating our capex in those businesses, given the opportunity which is there, or INR750 crores numbers for the three business still holds true?

Mukesh Ahuja: So again, what we had articulated was, when we talked about the 3-wheeler business, we said that we've got that business up and running for around INR300 crores right. As you know, with both the truck and the tractor, we acquired companies. So there was an outlay towards that acquisition. The second outlay is towards manufacturing and development. So if you include manufacturing kind of your -- the full stack development team, and the acquisition costs, obviously that combined is going to be more than INR300 crores for each of the business -- in the market.

Moderator: Our next question is from the line of Mr. Anupam Gupta from IIFL Securities Limited.

Anupam Gupta: Just one last question I had. So margins obviously in this quarter benefited from the raw material pass-through, which you did. Incrementally, let's say, if you assume raw material largely to be a non-event, what sort of margin expansion do you think can happen over the next 3 years in the core business?

Mukesh Ahuja: We will continue to maintain the current margin, maybe, let's say because we are closer to what we have given in the guidance in the past, and that the answer to your question.

Anupam Gupta: Okay, fine. Fine, I think we don't have any further questions, we can close the call. Vellayan, if you have any closing remarks, we can take that and then we can close the call.

Vellayan Subbiah: No, Anupam. I think that's good. Like I said, the important thing for us is, TI-1 continues to perform strongly and so we think that, that performance will continue in this financial year. And like you said, kind of, it is going to get important for us to now, especially -- I think the first one out of the gates will be Clean Mobility. So to start seeing some growth in that, this financial year, which we believe we will start seeing. So that's our general kind of outlook. So we continue to be quite optimistic about things going into this year and we look forward to catching up in the next call.

Anupam Gupta: Sure. Thanks a lot. Thanks a lot for the management for the time and all the participants as well who joined the call. Thank you.

Vellayan Subbiah: Thank you.

Moderator: Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect.