"Tube Investments of India Limited

Q4 FY '24 Earnings Conference Call"

May 14, 2024

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MODERATOR:	**MR. ANUPAM GUPTA – IIFL SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Tube Investments' Q4 and FY '24 Earning 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 questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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, Rea. And good morning, everyone, and welcome to the results conference call for Tube Investments of India for FY '24. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman for TII; Mr. Arun Arunachalam, Executive Chairman for TII; Mr. Mukesh Ahuja, Managing Director; Mr. AN Meyyappan, Chief Financial Officer; Mr. K R Srinivasan, President and Whole-time Director for the Metal Formed Products business; Mr. Shivdeep Singh Jammu, Vice President for TPI; Mr. N Govindarajan, CEO for 3xper Innoventure Limited; Mr. K K Paul, Managing Director for TICMPL; Mr. S Gopalakrishnan, CFO for TICMPL; and Mr. K Murali, President for Business Development.

To start off, I'll hand it over to Mr. Subbiah for opening comments. And we'll start the Q&A post that. Over to you, sir.

Vellayan Subbiah: Thank you, Anupam and good morning, everybody. The Board of Directors of TII met yesterday and approved the financial results for the quarter and year ended March 31, 2024. The Board has declared an interim dividend of INR2 per share in February 2024, and the same was paid to shareholders in March.

The Board has now recommended a final dividend of INR1.50 per share for the financial year 2023-24. Revenue for the quarter was INR1,962 crores, as against INR1,663 crores in the same quarter previous year. And revenue for the year was at INR7,611 crores compared to INR7,236 crores for the previous year. PBT for the quarter was at INR318 crores, as against INR301 crores in the same quarter previous year. And PBT for the year was at INR970 crores compared with INR876 crores in the previous year.

ROIC was at 54% for the year ended 31st March 2024, as against 55% in the previous year. Free cash flow for the quarter was INR104 crores and cumulative free cash flow for the year was INR376 crores, which was 51% of PAT, mainly driven by additional capital expenditure in some of our existing businesses.

I'll go through a quick review of the businesses. The Engineering business had revenue for the quarter at INR1,276 crores compared with INR1,044 crores in the corresponding quarter of the previous year. Profit before interest and tax for the quarter was INR160 crores as against INR132 crores in the corresponding quarter of the previous year. Revenue for full year was

INR4,921 crores compared with INR4,562 crores and PBIT was at INR617 crores versus INR549 crores. That was for the Engineering business.

Metal formed Products revenue for the quarter was INR386 crores versus INR347 crores. The PBIT for the quarter was INR42 crores, as against INR45 crores in the corresponding quarter last year. And revenue for the full year was INR1,519 crores compared with INR1,424 crores and PBIT for the full year was INR187 crores, as against INR174 crores in the previous year.

The Mobility business. Revenue for the quarter was INR154 crores compared with INR155 crores in the corresponding quarter and losses before interest and tax was INR9 crores, as against a loss of INR5 crores. Revenue for the full year was INR664 crores compared with INR800 crores for the previous year and loss was INR18 crores, PBIT -- before interest and tax, versus profit of INR17 crores the previous year.

Other businesses revenue was INR230 crores compared to INR191 crores and PBIT was INR17 crores, as against INR11 crores. And full year, INR834 crores compared to INR768 crores; and PBIT of INR65 crores compared to INR48 crores.

At the consolidated level; and that's consolidating in all of our subsidiaries, including CG Power and Shanthi and Clean Mobility. The consolidated revenue was INR4,490 crores, as against INR3,778 crores in the quarter. And our PBT, before share of profit of an associate/joint venture, exceptional items and tax, for the quarter was INR401 crores, as against INR403 crores in the corresponding quarter previous year.

TII's consolidated revenue for the year was at INR16,890 crores as against INR14,964 crores in the previous year and profit was INR1,683 crores, as against INR1,592 crores in the previous year. CG Power, a company in which we have a 58.05% stake, had consolidated revenue of INR2,192 crores for the quarter, as against INR1,903 crores. And PBIT was at INR301 crores, as against INR281 crores.

For the year ended March 31, 2024, CG's consolidated revenue was INR8,046 crores, as against INR6,973 crores in the previous year and profit before tax was of INR1,158 crores, as against INR1,002 crores in previous year.

Shanthi Gears had revenue of INR154 crores for the quarter, as against INR123 crores. And profit before tax was INR32 crores, as against INR27 crores. Revenue for the year as -- was INR536 crores, as against INR446 crores. And profit before tax was INR110 crores, as against INR90 crores.

Commenting on the financial results, Mr. M.A.M Arunachalam said, TII demonstrated resilience, achieving a consistent growth on consolidated profits before tax, driven by a strategic focus on cost reduction initiatives and operational efficiency through Kaizen. Exports during the year have grown by 14%. Notably, our subsidiaries CG Power and Shanthi sustained their impressive performance. CG Power secured approval from the union cabinet under India Semiconductor Mission to establish an outsourced semiconductor assembly and test facility with an investment of INR7,600 crores over 5 years. The investment will be supported by government subsidies, equity and limited bank borrowing, with technology and joint venture partnerships with Renesas and Stars electronics. Additionally, TII and its subsidiary TI Clean Mobility forged an agreement with GEF to raise INR580 crores through compulsory convertible -- CCPS.

TII's Board has recommended a final dividend of INR1.50 per share for the financial year. So Anupam, I'll stop with that. And we'll be happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: Yes. My question is on a, first, clarification on the other expenses, which seemed to have gone up quite substantially in the fourth quarter. And because of a sharp -- reported margins have declined. Any one-offs in other expenses that you can call of? Or what's the reason for increase?

Vellayan Subbiah: Okay, go ahead -- okay. There are a couple of onetime expenses, including political contributions, that might have contributed...

Jinesh Gandhi: Okay. And a large part of delta, which would be about INR50-odd crores, would be one-off.

Vellayan Subbiah: Sorry...

Jinesh Gandhi: Almost one-off quantum would be INR40 crores, INR50 crores; or lower than that.

Vellayan Subbiah: No. It's lower than that...

Jinesh Gandhi: Okay. And second question pertains to the Engineering business. So given that FY '24 was a year where we started to see recovery in exports, can you talk about how did exports grow in FY '24? What was the contribution in FY '24 from exports? And how do you see that scaling up?

AN Meyyappan: So exports this quarter was pretty good. There was a good growth in the Engineering business as well as the other businesses. Exports, as a percentage totally, was about 14% in the financial year. And we see good leads available going forward, with a couple of OEMs getting approved in the short term, so we are bullish about exports going forward.

Jinesh Gandhi: Okay. And effectively a target of taking it up to 20% would play out in the next couple of years.

AN Meyyappan: Yes, that's right.

Jinesh Gandhi: Got it. And the other question pertains to the large-diameter tubes given that our expansion will be completed by second quarter. What kind of revenue can we expect from the full year expanded capacity including the first and the second -- I mean, the existing capacity and the new capacity together?

AN Meyyappan: So like said, that capacity expansion will be over by Q2. And then because it is where we are investing into capability, then we have to go for approvals of the large customers for which we are doing it. And then there will be a prefab process followed. And there' will be good headroom available for enhancing revenue from that expansion.

Jinesh Gandhi: Okay. I mean, can you quantify in terms of -- either in terms of the capacity addition or the kind of revenues which we can do?

AN Meyyappan: Maybe you can take it about the range of around 30% to 40% excess capacity will be available for the expansion for large-diameter tubes.

Jinesh Gandhi: Got it. I'll -- a few more questions, but I will fall back in queue.

Moderator: Next question is from the line of Nishit Jalan from Axis Capital.

Nishit Jalan: Yes. Sir, I just wanted to take one thing from you. Tube is getting into a lot of new businesses, right, and so also CG Power. So just wanted to understand. How are you deciding which company will enter into which business? So for example, the medical business or the optic lens business was in Tube, while the semiconductor business and all is part of CG Power. So any top-down thought process as to which entity will be part of which new businesses that you enter in future?

Vellayan Subbiah: Yes. I think that's a good question. See broadly the approach we've taken is kind of that CG is sticking to businesses that are kind of -- or what I would say kind of in the power and industrial and electronics areas, but I would also say that I don't think it's kind of we--- I don't think it's basically going to be predetermined, right?

So basically, once an opportunity comes up, we basically try and assess what is the better long-term home for it. And also you have CG's and TII's managements also doing some independent valuation and coming up with opportunities for themselves, so I don't think there's a deterministic path by which we can tell you A, B, C will be there. Because a lot of these businesses are new businesses for us.

Nishit Jalan: Okay, got it. And sir, I mean, a couple of quarters back, you talked about building capabilities on electric vehicle side. I think you did highlight that right now we are more like doing assembly and procuring components from outside. I just wanted to understand. Any progress that you have made on building capabilities? How big is the R&D team now? And in the next 1 to 2 years, which kind of components will you look to source in house -- or build in house rather than buying from outside?

Vellayan Subbiah: Yes. So again, we're developing an approach to it. I mean I don't know if the question is specific to CG than kind of -- for tube. So specifically, I mean, from a TI Clean Mobility R&D, that's going to be focused on vehicle integration. And so -- and then we'll basically start thinking on the component side.

And like we've articulated before CG will be more focused on the component side developments. And TI Clean Mobility will be more focused on vehicle integration and being an OEM. So I don't know if that gives you clarity. If you want to know more about TI Clean Mobility's R&D I could kind of give you details on that.

Nishit Jalan: So basically, for example, BMS, battery pack anything you have talked about that motor will come under CG, but what about the BMS, battery pack or anything that you decide to do on the software side because that will be an important part on the EVs. So I primarily wanted to understand more on the R&D capabilities of tube other than CG?

Vellayan Subbiah: Yes. So battery packing and software development obviously will kind of be part of vehicle integration. That's overall software development. And Paul, who's on the call, can give you a bit more detail as to what we're doing on R&D for TI Clean Mobility. And Paul, do you want to take this on R&D for clean mobility?

K.K. Paul: I think currently we are focusing on the vehicle integration for different platforms. We currently have about a 200-member strong central R&D team and we are further strengthening it. So that's one piece.

The other piece that we are concentrating is building the software capabilities over the next 1-year period where we would like to take over much of the consumer experience part of it through software and then have a lot of control over the powertrain. That's basically battery BMS motor and controller related with software and hardware. That's the direction that we are taking to truly become quite technologically superior from a software-integrated hardware piece. Does this answers your question?

Nishit Jalan: One last one, on the. If we see this year FY '24 will we see good growth in two-wheelers double-digit growth and also good growth in passenger vehicle segment, including premiumization, but if I look at after engineering and metal formed revenues the growth have been 7% to 8%.

Any particular reason are we running out of capacity somewhere or our customers have not done well because our expectation was that we could have grown in double digits given how the industry has shaped up. I just wanted to understand and connect the doubts here?

Vellayan Subbiah: So to answer this question. We have grown in the double digits only because like we shared in the last quarter raw material prices are comparatively down as compared to the previous year. Otherwise our growth in the quarter 4 and two-wheeler like you mentioned it is picking up. We have grown in-line and in some places even better than the market.

Nishit Jalan: Okay. Thank you so much.

Moderator: Thank you. Next question is from the line of CA Garvit Goyal from Nvest Analyst Advisers LLP. Please go ahead.

Garvit Goyal: My question is on engineering and metal formed parts. So given that our engineering and metal forms and our industrial systems division contribute over 80% of our revenue. And we have achieved a Y-on-Y growth of 8% to 9% in FY '24.

So what are the specific strategies does the management plan to implement to sustain and potentially accelerate this growth in the coming years? And additionally, are there any particular market or innovations that the company is targeting to enhance our competitive edge on these areas?

Vellayan Subbiah: So our strategy for engineering business and metal formed division continues to be first grow in-line or better than the market for the domestic market. And there is clear-cut focus for the exports because our market share in the exports are pretty low and there is a good headroom available for growth there.

And we are focusing those segments to drive the growth as well as we are targeting in the EV evolution is happening the country. So there are many applications which are emerging as a new and we are focused on that. And the way the EV business evolves, we'll be participating in those new opportunities which will be in area of rate reduction and the area of the improved efficiency because those are the new norms getting set up in the EV industry. So we are focused on.

Garvit Goyal: And sir our new verticals like mobility and others, these are expected to drive the growth future. So my question is basically can you share how the things are shaping up across the new verticals like how do you expect the things to ramp up from here? If you can just share the indicative timelines like when are we expected to achieve the breakeven in mobility for example and like last quarter you mentioned Q4 will witness the growth in EV business, but we are Q-on-Q down, so can you please put some color on it?

Vellayan Subbiah: Specifically for EV we've articulated that we won't give any forward-looking guidance because it's basically it's -- there are -- just there are too many kind of uncertainties in the business. What we've clearly articulated for EV is that now we have two products launched. The three-wheeler product is doing well in the Southern markets and now we're entering the Northern market.

And we've also launched the trucks which is still kind of an early days of kind of its sales cycle. What we have also kind of clearly articulated is that with the fundraising and we will not depend on TII for funding the parent standalone TII for funding in that business. So that business is pretty much self-funded now.

I mean as in like it is funded into the entity. So more than that kind of giving specific guidance. So those are the two businesses that are selling now. We are hoping that, in the next two quarters or so we will get the small commercial vehicle also out. And so that's the status on that business on the clean mobility book.

Garvit Goyal: So what is the overall outlook for FY '25 this is the last question from my end?

Vellayan Subbiah: For Clean Mobility of a TII or for what?

Garvit Goyal: For TII?.

Vellayan Subbiah: Again, we've not -- I mean basically we've not specifically guided, but like you know the growth has been kind of in the teens or like kind of what I would say -- it's kind of in the teens is where kind of growth has been. We assume -- we believe that that will continue.

Garvit Goyal: That's it from my side and all the best for the future.

Vellayan Subbiah: Thank you.

Moderator: Thank you. Next question is from the line of Nikunj Agarwal from White Whale Partners. Please go ahead.

Hardik: This is Hardik here. Can you hear me?

Moderator: Yes, sir. Please go ahead with your question.

Hardik: So just going back to the -- one of the questions asked earlier in terms of how you decide on entering new businesses. I think a while ago, maybe a few quarters ago from what I understand the thought process was that anything related with motors and with power would be coming through CG Power. And the rest of the unrelated businesses, let's say, like medical equipment or even like it, would come through tube. But right now it seems like -- has there been a change in kind of the mindset or the thought process here in terms of how new businesses are succeeded?

Vellayan Subbiah: I think, see, the question keeps coming back to -- obviously kind of it is going to be, anything that's going to be related to motors or power, it will naturally go to CG, right? Whether it is a natural fit, I don't think that that's much of a question, right? I'm saying kind of, where something may not be 100% natural fit, we will have to evaluate best fit when the opportunity comes up That's all we're articulating.

So I don't think there's any change. We're just kind of elaborating because it's a bit difficult to kind of make a statement on when it's not so deterministic, right? I mean that's it is new business. If you take medical for example, there was not a natural home in either places. It was a new business for us, right? So that's the question, your question is like when opportunities like that present themselves, when we decided -- and as -- on where we think the best fit will be.

Hardik Doshi: So -- but then that is a bit of a change in shape, right? Like, for example, if a medical equipment were to come, if -- you will be open to kind of possibly putting it to CG Power as well. You're open to that.

Vellayan Subbiah: Yes. So I mean I think, if you're asking -- so I would broadly say CG Power is fairly well defined in terms of the businesses it takes on, right. But like I said, if unrelated things come on, we will take a look at kind of which -- where is the more natural place to house it. So yes, if you see that...

Hardik Doshi: Yes.

Vellayan Subbiah: So we can say that, that is the way we're thinking about it.

Hardik Doshi: Got it, got it. Just two other questions. One was you mentioned about how, metal formed, the top line was slow because of the correction in commodity prices, but even if I look at the EBIT -- I mean the EBIT is the conversion margin and so EBIT should be growing double digits, which it's not, so anything else that's kind of weighing on the Metal Formed Products business from a probability perspective?

AN Meyyappan: Like we shared in the previous quarter, in metal formed particularly, we are finding railway businesses getting more competitive. And that is a little bit pulling down the margin, but otherwise, all other key business, the margin perspectives are okay. Railway, we have yet to figure out the answer for margins.

Hardik Doshi: Okay. And on the electric vehicles front, in December quarter, we did about INR81 crores revenue, but in March quarter, it's about INR57 crores. This is a very kind of nascent business. We would have thought there should be a big ramp-up on a sequential basis, so any issues or concerns over there?

Vellayan Subbiah: Paul, do you want to take that...

K.K. Paul: No. I think, as we've said, that these will -- these are newer business that -- and actually the volumes or the projections actually will start firming up as we get more traction in the market. And we are currently on that basis. With the first products that we launched in the three-wheeler, we make good progress.

And gradually, a lot of products will be launched this year as Mr. Subbiah said saying. And over a period, then we will have adequate representation in the market across the different segments, be it on the heavy commercial vehicle side or the small commercial vehicle side and then a few more variant on the three-wheeler side, followed at the end of the year with the EV tractor launch. So with all this, then we should be in a position to garner some steady business and steady volumes. And that's the -- a plan that we are working on.

Vellayan Subbiah: Specifically to your question also is there was -- in March, for the month of March, because of the change from FAME to the new scheme, there was a drop in three-wheeler primary sales, right, though there was an increase in secondary sales, so that would have also swung a numbers over the time we got it one last.

Hardik Doshi: Got it. One last quick one: There is an approval being sought for long-term borrowing. Is there any specific plans to deploy that? Or is this just an enabling...

Vellayan Subbiah: No. We always kind of -- I mean like what at least once a visit you would be kind of take those approvals. There are no specific plans that's driving it. It's just a blanket approval that we take.

Moderator: Next question is from the line of Rushabh from RBSA Investment Managers.

Rushabh: Looking at the company, say, five to seven years from now, how much percentage of the total profit pool do you think would come from Tier 1, 2 and 3, respectively? Is there an aspiration or target on this?

Vellayan Subbiah: Well, it's a bit tough to say. I believe we would like to be third, but I don't know if we'll kind of evolve in that way, though.

Rushabh Shah: Okay. And sir, any traction on progress on CDMO, medical devices and the camera modules; anything that you'd like to share?

Vellayan Subbiah: CDMO, Govin, do you just want to give a quick update? Govin, are you there?

N. Govindarajan: Okay. So as far as the lab is concerned, like, we already started receiving custom synthesis orders. We have received six orders. In fact, two of them have been delivered even ahead of time. As far as the manufacturing side is concerned, we commissioned the Kilo lab and it's fully functional. We had even built up before March to get the tax benefit, so -- and currently the CGMP pilot plant is under construction, which we plan to commission it by September. So that's the update as of now.

Rushabh Shah: Anything on the medical devices and camera modules also, if you could share some update?

AN Meyyappan: Medical. Like we discussed last time, we took over this company about six to nine months back. And as of now, we're investing into the capabilities of the company and getting into many products within the Lotus framework. And we're looking for the future opportunity, so we expect a good growth going forward for business.

And coming to the camera module: This month, our samples from the Korea -- one of the customer in the Korea got approved, and we are expecting a pilot load order in this month. And then maybe based on the pilot load performance, then we'll be ramping up going forwards. So maybe another quarter down the line, we'll be able to give you better update, but quality perspective and technical perspective, there is a good news. Things are in order. We have to see how we ramp up this capacity going forward.

Rushabh Shah: Okay. Thank you, sir. Wish you all the best.

Moderator: Thank you. Next question is from the line of Manish Kumar, an investor. Please go ahead.

Manish Kumar: Yes. So my question is pertaining to the investments purchase of INR563 crores. I am not able to find a lot more details as to what these investments are with you know where, so could you please shed some light on that?

Management: Yes. That INR650 crores is actually we have invested INR333 crores in TICMPL, Clean Mobility, during the year; and INR233 crores in Lotus Surgicals, when we acquired in May. And we have invested some INR80 crores in 3xper that's a medical company, CDMO...

Manish Kumar: Okay. And what kind of synergies are you looking that these investments are going to make in the existing businesses of TIL investments?

Vellayan Subbiah: So I think the broad point is we've always talked from a synergy perspective that we're not driving this in fully synergy-based approach but driving this based on opportunity sets that we see in new businesses over time. And so that's the primary focus of some of the expansions. And I think we've articulated this also before.

Manish Kumar: Yes. Thanks a lot. Thank you.

Moderator: Thank you. Next question is from the line of Salil Desai from Marcellus Investment Managers. Please go ahead.

Salil Desai: Thank you. I had a question for Mr. Meyyappan. So the segment assets, less the segment liabilities, in the electric vehicle segment are still negative as of March '24. Can you just explain how to read this number?

AN Meyyappan: Yes, yes, yes. I'll just explain that. See, actually the -- whatever the negative which you are saying is after considering the CCPS whatever we have got it there, almost around INR1,700 crores which we have got it. That is coming as a liability there and that’s a major reason for this. Then apart from this, we are also having a cash in hand of something like INR750 crores there and there. After putting all of those, the fixed assets, net working capital, CCPS and the cash on hand, it is coming to something like INR61 crores of a negative over there. If you remove the CCPS and the cash on hand, then the capital employed in that business is INR892 crores. That is what you would read it.

Salil Desai: Right. So just to, I mean, make sure I understand this. INR892 crores is the CCPS and the cash on hand?

AN Meyyappan No. 1,700 is the CCPS. That's negative, okay? And that's cash on hand is positive 747. So, you've had approximately -- say 61 will become 892. That's what I can just say.

Salil Desai: I see, okay. I understand, fair. And sir, another question for you is on Lotus Surgicals, right, that we have this amortization of intangibles, right? Now how much longer do you think that is likely to continue? Do we remain at similar EBIT levels as we are in this quarter? Or is there a significant change that can happen?

AN Meyyappan The intangible assets which gets created at the time of acquisition. See. Because the cost of the assets, whatever it is, there in the books of account say net fixed assets or whatever is that. We will be paying based on the market value. And difference between these two will become a goodwill, as well the other intangible assets. Goodwill will be retained in the books. And balance will get amortized over the period. It will be approximately, it will be there, for next 5 years or so; is whatever the amortization is happening.

Salil Desai: Got it, perfect. And my last question is if Mr. Paul could help. If you think of small commercial vehicles will also be as part of the same premises, that you have Manesar, or you need to create some facilities for that?

Vellayan Subbiah: Question on small commercial vehicles?

Salil Desai: where did you make these

Vellayan Subbiah: The factory is coming up in Chennai.

Salil Desai: And how much money do you spending on it approximately?

K.K. Paul: Sorry. What was the question? How much...

Salil Desai: How much are we spending on the small commercial vehicles factory?

K.K. Paul: Our total capex would be around INR320 crores. So far, if we look at the cash outgo, around INR12 crores. There was a cash outgo. However, POs been released to the extent of INR80 crores to INR90 crores.

Moderator: Next question is from the line of Bhalchandra Shinde from Kotak Life. Please go ahead.

Bhalchandra Shinde: Sir, on EV, I would like to know your road map. How do you see growth, especially on the EV tractors and EV three-wheelers? And on the dealer side, also network-wise -- so how we are improving there. And what kind of growth targets we are targeting over next three to five years perspective. And this quarter actually, sequentially there was a decline, so in that perspective also, it suggests a short-term phenomenon. We should see relatively a growth happening on that side. If you can give color on that.

Vellayan Subbiah: Two things, right?

Bhalchandra Shinde: Sorry...

Vellayan Subbiah: One is we just said we won't give long-term guidance, right? So your question on five years to seven years: We're not giving long-term guidance. I think I've answered some of the points of -- in terms of how large a business I think it can be, but again we don't want to -- don't get too much long-term guidance on that.

And second, we've talked about this point about sequential growth issue, which is March had lower primary sales but similar because of the change in the incentive scheme, but Paul, you can kind of elaborate sales further. I think you've said it...

K.K. Paul: Yes. I think 2 things. One is currently, if you see, we are predominantly present in South and slowly started being present in North. By the end of this year, we have a very aggressive dealer expansion plan. That will support the volume plans and we are working around with that. That's number one, for the three-wheeler business.

And additionally, as I mentioned earlier, some new products also will come into the picture. That will help us to further increase the volumes as we move along. So that's as far as the three-wheeler is concerned. The other ones are the products are getting developed. They'll gradually get launched during the course of the year.

And we will have to take it on from there in terms of creating -- what we are actually concentrating on is really to build a reasonably superior product that we are able to then create a pull in the market and have a traction and thereby have better customer adoptions. So that's the journey that we are on actually at the moment.

Bhalchandra Shinde: Thank you.

Moderator: Next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Thanks for the opportunity, sir. So a couple of questions. Firstly, on the EV side of it. On the three-wheelers, you have a passenger offering. And so why not launch a cargo offering at the same time and be in that market as well? So what is our strategy there in terms of thought process? And similarly, on the same line, sir, is if you can -- you have earlier highlighted that you'll launch further models in terms of tonnages for trucks as well as in tractors, but what's the sort of time lines there as well? So if you can give some picture there.

K.K. Paul: See. I think, on the three-wheeler piece, some of these vehicles that you mentioned will be under plan and will get launched during the course of this year. That's the plan and we are quite firm with the plan. Currently a lot of these products are under homologation, under products reliability testing.

So obviously we are aware of the fact that we need to increase the range. And we will increase the range, as far as the three-wheeler is concerned, including cargo, including in these segments. In all the others, the plans have been made. For example, the small commercial vehicle, the later part on August, September, we should see some traction there; and similarly for the tractor; And similarly for the tractor and similarly for another variant in the IPLT cable on the heavy commercial vehicle side. So with this by the end of this year it should be in a quite good position in terms of the product placements for the initial phase of top line.

Anupam Gupta: Okay I understand, sir. So the second question is related to the Moshine and maybe the broader electronics picture as you see it. So Moshine obviously gives you a small entry there. How fast can we ramp up especially given the news which was going around of a couple of weeks back, but broadly what is the strategy there? Will you focus more on the manufacturing part of it? Will you look at assembly to start off with? What is the strategy if you can outline that on the electronic foray part of business?

Vellayan Subbiah: So Anupam thanks for the question. As you rightly said we differ a small entry into this business. We are further starting this opportunities in this area and at appropriate time we will share with you. And that's the area of focus for us going forward. So as of now this is for more -- the investment was for more from a learning perspective. And we are setting this market for us.

Anupam Gupta: I understand. And sir, one question is on the core business so let's say core business capex. You have already projects are on, but if you can just outline what is the capex plan for TI India, the standalone business for FY '25 and possibly FY '26, if you have that number?

Vellayan Subbiah: So we'll be investing close to INR500 crores in this financial year for the core business.

Anupam Gupta: Okay, okay. And you said in TICMPL it will be INR320 crores for the LCV plant and anything else any large capex otherwise planned as well?

Vellayan Subbiah: Basically in three-wheelers there will be another INR72 crores kind of a spend. And in tractor, we are looking at INR30 crores kind of a spend. So all put together next year the capex would be around INR471 crores.

Anupam Gupta: INR471 Crores. That’s all from my side.

Moderator: Thank you. Next question is from the line of Varun Arora from B&K Securities India Private Limited. Please go ahead.

Varun Arora: Sir, I just want to ask on the mobility segment, sir, how the things are panning out right now. And if you can give some outlook on that front?

K.K. Paul: Can you come up question again. Maybe your voice was not clear please.

Varun Arora: Yes, sir. I'm audible now...

K.K. Paul: Yes, better.

Varun Arora: Sir, I'm asking about the mobility segment. So how the things are panning out right now. On quarter-on-quarter it was flattish, so can we expect the pickup on the demand of -- the outlook will be positive for this going forward in FY '25?

Vellayan Subbiah: So this business is going through tough phase as of now because of the market conditions. Cycle market is not growing and we are focusing in this business through export area which will be a little long-drawn process. And also we are focusing on the e-bikes in this business. And so there's a work in progress. These are the growth area identified for the mobility business going forward.

Varun Arora: Okay, sir. Sir, again, on lens-- I guess the last participant already asked the question, but there was some news was going wrong regarding the apple. So any development is going on that front? So in media actually on the newspaper there was some news was going on like in April mid somewhere around. So if you can give some gist on that?

AN Meyyappan: So as of now we are focused on the lens business which is basically goes in the camera modules. And if any further opportunity comes we will share with you at appropriate time.

Varun Arora: Okay, sir. Sir, last just a clarification I need by what time line that the electric tractor will be launched and the commercial vehicle the small commercial vehicle, will be launched when?

K.K. Paul: We're looking at the end of -- beginning of Q3 really actually. That's when it will get launched both.

Varun Arora: For electric -- or for both I think?

K.K. Paul: There is a large commercial vehicle which will be launched sometime around July, August period. That's the period. And the first variant of the electric tractor will be launched sometime in the period of October, November of this year.

Varun Arora: Okay. Sir, just last one on the -- I guess the last concall you had said that by the FY '24 you'll have the dealership around 75 number. So have we achieved that target or we are still on the way?

K.K. Paul: Currently you are talking about the three-wheeler...

Varun Arora: Three-wheeler electric, yes.

K.K. Paul: Yes. Currently we are at 63 dealers against the 75, but by the end of this year we should be above close to double of these numbers as we expand in the North and the East.

Varun Arora: Okay sir fair enough. Thank you very much for the question.

Moderator: Thank you. The next question is from the line of Vipulkumar A. Shah from Sumangal Investment. Please go ahead.

Vipulkumar A Shah: Would you repeat the capex numbers for TI Clean Mobility and can you break down it for all individual products again, sir?

K.K. Paul: Yes, See, if we look at from next year 24-25 the total capex outgo would be INR471 crores. If we see the breakup three-wheeler will be INR72 crores, tractor INR31 crores and small commercial vehicle business we'll be investing INR278 crores and in medium heavy commercial vehicle business we will be investing around INR71 crores. And there will be some marginal investments in and in several R&D substance. So all, total will be around INR471 crores.

Vipulkumar A Shah: So what will be the nameplate capacities for each of the business? Can you quantify it, sir?

K.K. Paul: Capacity as we've said earlier also, there will be -- for example, the three-wheeler plant will have a capacity of 75,000 in terms of this. The small commercial vehicle plant that we are building will have capacity. Once we have completed the entire thing, that capacity will be around 50,000 vehicles. That will be the tractor currently has a capacity of 25,000 numbers annually. And IPLT at the -- once we add a line, we will have a capacity this year of around 4,500 number.

Vipulkumar Shah: Last one. Which -- I didn't understand your last comment, sir.

K.K. Paul: Last comment was on IPLT. So in IPLT, we are in the process of adding one more line. With that, the capacity this year will finally get to 4,500 numbers.

Moderator: Next question is from the line of Rahil Shah from Crown Capital.

Rahil Shah: Sir, this investment in the core business of INR500 crores for this year you mentioned earlier. So what will be that for exactly? And how will it help us?

AN Meyyappan: So it will be helping us building the capabilities in the Engineering as well as metal formed divisions and which will be in terms of some money will go for capacity expansion. Some money will go for capability enhancement.

Rahil Shah: Okay. And have you already started spending? Like as an apex already started? And that's the figure for the FY '25, correct?

AN Meyyappan: So most of this INR500 crores will get spent in this financial year. However, some money will be work in progress which should get spent by quarter one or quarter two of next year.

Rahil Shah: Okay. And on a consolidated level for the -- overall for the company, I believe you've said -- so you've been seeing teams growth and that should continue ahead as well, but when it comes to margins, what is the outlook there? Which businesses are you focusing on to improve the gross margins, EBITDA margins? Can you share a guidance or any directional outlook?

Vellayan Subbiah: What are you looking for, on a consolidated?

Rahil Shah: I just want to know on a consolidated level of -- if you can provide. It's not an exact guidance but a directional outlook. How will the margins improve? Which businesses will lead to that? So where is your focus when it comes to improving margins?

Vellayan Subbiah: So broadly I think you understand the two largest contributors to consol right now are TI-1 and CG, right? And both have specific indications on what the margins are. And we'll continue to maintain that, we'll maintain at least these levels of PBT margins which are of 13% for both businesses today. So that, I do believe, will broadly continue. And those are the two largest contributors. Now obviously, when we take at a consol level, we will continue to have TI Clean Mobility being the largest, yes, let's say -- the negative contributor. And I think that, that will also continue for this year, and so you'll have to just kind of make your own kind of assumptions then based on this -- on that combination of things.

Moderator: Next question is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: My question pertains to the electric truck business. So I believe these were looking to start deliveries from fourth quarter, so can you talk about how many trucks that we deliver? And how does the order book look like?

K.K. Paul: See. Currently we have about 70 trucks on the road, all, so far. And the order book that we have is close to about 35, 40, which we are in the process of executing now in the month of May and June. That's where we are at. And we are working around with a number of customers, large customers, in terms of proving the concept actually because this -- we'll have to prove the concept. Then we'll have to look at what the savings are, demonstrate that. That's the kind of work that's going on. And we are quite hopeful of building traction in the coming months because these results are coming out very favourable when you compare it with the current IC vehicles what they are deploying. So that's as far as IPLT is concerned.

Jinesh Gandhi: Okay. So, would it be fair to say that IPLTech effectively probably will get into a material ramp-up node only by end of this financial year or early next financial year given that process of customer approvals and all those things will take at least another 6-9 months?

K.K. Paul: Part of that work is in the processes. Some of this is a new concept, so one is never really sure, if it clicks, it clicks a big way. It takes a little time; the diffusion time that takes for people to absorb, to change some behaviours in terms of adoption. The benefit is very clear. That's the good news. Now we'll have to get them, in terms of we are working around different models to see how the adoption can start happening. And once a few adoptions that we have succeeded starts happening, there definitely will be others that will come into the picture. So that's where it is. We are hopeful of building up good volumes, but difficult to say at this moment what can it -- what that will be, now I would like to say that, but works on in terms of building the pipelines.

Jinesh Gandhi: Got it, got it. And lastly, when we talk of the EV business, of -- we have talked about investing of roughly INR3,000 crores into this business. And so far, if I see it, we have invested close to IINR1,900 crores. That's what the EV business are referred to. If I knock off cash, then close to about INR1,200-odd crores. So incrementally, balance capex beyond this INR470 crores, INR500 crores of this financial year, what it could be going forward. I mean, is this plan of INR3,000 crores investment largely formed? Or this will depend on how the business ramps up going forward?

Mukesh Ahuja: I think there will still be more development of - vehicle developments. R&D will be there, and then obviously the build-out of the businesses themselves.

Moderator: Next question is from the line of CA Garvit Goyal from Nvest Analysis advisory LLP. Please go ahead.

CA Garvit Goyal: My questions are answered.

Moderator: Next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Largely on the three-wheeler electric vehicle industry, if you see - what we understand is that FAME is a very important part of the overall three-wheeler vehicle adoption. Now that is under uncertainty and incentives are coming down. Do you think that, without FAME incentives also, EV penetration can pick up in three-wheelers? Or it will be slower than what you would have thought earlier? And do we have the PLI benefits that we will get in three-wheeler business? Or it's not there.

K.K. Paul: So 2 parts to your question. The first part is currently we don't have a PLI benefit as such in terms of this on the three-wheeler business. That's number one. Number two is, see, the FAME has already come down. There are different component prices that are moving down, primarily the battery, so that should go a long way in building, giving some stability to the prices. That's the second piece. The third piece is the TCO portion. That means the benefit to the customer what we have seen is reasonably substantial.

And we believe that, from the experiences that we've got, there will be good traction. How much it will be and in what way it will be, we'll have to see as things turn out. The success really will work around how you handle a combination of factors: the product, the range and the performance and the customer service. And so many other areas linked with the customer experience that should help us to get through with the numbers that we are doing. Temporarily, yes, there will be a setback in FAME - but FAME is not completely gone.

It's got reduced now. And once the elections are through, I'm sure the government will work out some policies, for some more time at least, till the EV adoption, as per their plans that they have made, it starts stabilizing. Along with that, we have to bear in mind that the charging infrastructure and many of these things are in active development. And if this starts developing in a larger way, then that provides an opportunity for you to down the – right size of your battery and therefore your costs. And therefore, a lot of that is advantage one can avoid actually.

Nishit Jalan: Okay, okay. Thank you for the detail. So just one follow-up, after FAME incentives got reduced, did you take price hikes? Or you basically absorbed it given the reduction in battery prices and other cost reduction that you have talked about?

K.K. Paul: So we did take a price hike. We took an industry also -- and part of that absorption we did take by ourselves for a certain period of time, but we are also in the plan of seeing in what way in our bill of material we can shape up so that we don't have that effort beyond the first -- this effect beyond the first half of this year.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Vellayan Subbiah: Anupam, nothing specific from my end. I turn it back to you.

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