"Tube Investments of India Limited

Q2 FY '24 Earnings Conference Call"

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MR. K.K. PAUL – MANAGING DIRECTOR, TICMPL – TUBE INVESTMENTS OF INDIA LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Tube Investments Q2 FY '24 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 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.

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

Anupam Gupta: Thanks, Enzo, and welcome everyone to Tube Investments Second Quarter FY '24 Results Conference Call. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman at TI; Mr. Arun Murugappan, Chairman at TI; Mr. Mukesh Ahuja:, Managing Director; Mr. Meyyappan, Chief Financial Officer; Mr. KR Srinivasan, President and Whole-Time Director for Metal Formed Products Business; Mr. Murali, President at Tube Products India; Mr. U. Rajagopal, Senior VP at TI Cycles, Mr. N. Govindarajan, CEO for 3xper Innoventure Limited; and Mr. K.K. Paul, MD - TICMPL.

To start off, I'll hand it over to Mr. Subbiah for the opening remarks, post which we'll have the question and answers. Over to you, sir.

Vellayan Subbiah: Anupam, thanks so much, and good morning, everybody. So I'll just go through the results quickly. In terms of standalone results for the quarter, the revenue was at INR1,970 crores as against INR1,906 crores in the same period for the previous year. The PBT before exceptional items and tax was INR245 crores, as against INR226 crores in the same period previous year. And the ROIC annualized was at 67% as against 62% in the same period. Free cash flow for the quarter was INR108 crores.

I'll just go through a quick review of the businesses. In Engineering, the revenue was at INR1,274 crores compared to INR1,192 crores. And the PBIT was INR169 crores as against INR165 crores in the corresponding quarter. Metal Formed Products revenue was at INR400 crores compared with INR371 crores in the corresponding quarter, and PBIT was INR53 crores for the quarter compared to INR48 crores.

The Mobility business, the revenue for the quarter, was INR177 crores compared with INR226 crores in the corresponding quarter, and the loss was INR3 crores as against a profit of INR10 crores. That business is going through a bit of a slump in terms of demand.

Other businesses were at INR207 crores compared with INR188 crores. And PBIT was INR17 crores compared to INR8 crores in the corresponding quarter of the previous year. In terms of consolidated results, our consolidated revenue for the quarter was INR4,306 crores as against INR3,767 crores in the corresponding quarter. And the profit, before the share of profit of an associate joint venture exceptional items and tax, for the quarter was INR493 crores as against INR435 crores in the corresponding quarter of the previous year.

CG Power Industrial Solutions subsidiary, in which the company holds a 58.05% stake, registered a consolidated revenue of INR2,002 crores during the quarter as against INR1,675 crores in the corresponding quarter of the previous year. And PBT before exceptional items for the quarter was INR303 crores as against INR237 crores in the corresponding quarter of the previous year.

Shanthi Gears, in which the company holds a 70.47% stake, registered a revenue of INR135 crores for the quarter as against INR109 crores in the corresponding, and PBT was INR30 crores as against INR23 crores in the corresponding quarter.

Commenting on the results, Mr. M.A.M Arunachalam, Chairman of TI, said that the company displayed strong performance in a challenging business environment, sustaining growth in profits and profitability.

The bicycle industry continues to suffer from contraction in demand, and our bicycle business continues its cost reduction initiatives and improving operational efficiency through Kaizen. Despite muted performance from the Bicycle Business, the company registered a 27% growth in PAT with strong performance from Engineering and Metal formed product divisions.

The performance of our subsidiaries, CG Power and Shanthi, has also been very encouraging in both strong top-line and bottom-line growth. And I think broadly, just to give you a sense on revenues, there is also a movement because of lower steel prices compared to the same period last year. So let me stop with that, and I'd be happy to take questions from the audience and as well all the rest of us and our team. Thank you.

Moderator: The first question is from the line of Jinesh Gandhi from MOFSL.

Jinesh Gandhi: Congrats on good numbers. You've indicated about the impact of steel prices and the commodity prices impacting revenue growth. So any sense on how volumes would have grown for both Engineering and Metal formed business?

Vellayan Subbiah: Yes, Mukesh, do you just want to answer that?

Mukesh Ahuja: Yes, the total volume growth is about 13% to 14% in Engineering and Metal put together.

Jinesh Gandhi: Sorry, Engineering is 13% and 14% volume growth?

Mukesh Ahuja: Both put together, we did have 13% to 14% volume growth

Jinesh Gandhi: Okay, for both the businesses. Got it. And particularly, Engineering Business, we were seeing some challenges in exports still last quarter. I mean, is export business now stabilizing? There were some signs of recovery in previous quarter as well. Are you seeing sustenance of those factors? Has exports started to grow or not yet?

Mukesh Ahuja: Yes, compared to previous quarter, exports has grown. And we see that exports is going to see the improvement in coming quarters also.

Jinesh Gandhi: Okay. When you said previous quarter, on Q-o-Q basis, exports have grown?

Mukesh Ahuja: Yes.

Jinesh Gandhi: And Y-o-Y would it still be lower because last year base was high, so that would have declined still on Y-o-Y basis, right?

Mukesh Ahuja: Yes.

Jinesh Gandhi: Okay, okay. Got it. And lastly, before I fall back in queue, on the electric similar side, we are yet to see material ramp-up in our supplies. We are still doing about 200 units a month. Any sense on how do we see this ramping up? Where we are in terms of -- I mean, what are the challenges today given that we broadly are in 3 states as things stand?

Is it production side issue or we are just waiting for proper feedback from the ground before we start ramping up our production? Can you throw more light on that, please?

Vellayan Subbiah: Paul, would you like to answer

K.K Paul: Yes. I think on the electric 3-wheeler side, month-on-month, we are improving our volumes. This month also, we will be better off than the previous month. Cumulatively, we are actually doubling up the volume each month. That's what's happening now. There are challenges with supply chains that we are having now. And the order book that we currently have is for 1.5 months, and we are expanding our dealer network. So all in all, we should be doing better and better in the coming quarters. .

Jinesh Gandhi: Okay. Okay. And we are still in 3 states, right? You have to expand beyond the 3 southerns...

K.K Paul: No, we have now actually expanded in north. So we had dealership openings in Kanpur, Dehradun, Delhi and I think Lucknow is what we are opening. And we have started some suppliers to north as well. So gradually, we are expanding. At the end of year, we should have a dealer strength of around 72 to 73 numbers against the current 42.

Jinesh Gandhi: Sorry, against current? You said it's 40?

K.K Paul: Current 42 numbers.

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

Rushabh: I just wanted to understand, as per your estimates what could be the adoption levels for EVs as a percentage of industry across the 3-wheelers HCV and tractors, say, at the end of 3 years from now?

Vellayan Subbiah: I think it's very difficult to make predictions, and we don't want to be in that business either. I think the broad data that most people have seen is kind of on the overall global predictions. Twice, they've already been revised upwards in terms of EV adoption. And we continue to be very bullish about potential in India.

But obviously, we don't want to kind of predict any specific numbers. We're obviously overall very bullish on the levels of adoption that we think are going to happen in the industry.

Rushabh: And sir, secondly, just a clarification. We understand that the new business is in the TI2 bucket, would have a 40% to 50% success rate. And so would this success rate be sufficient so that the company on an overall basis achieves the, say, 20% plus profit Kaizen over the decades.

Vellayan Subbiah: Yes, definitely. I think the success rate will be a bit higher than that. But definitely, even with that success rate, we will hit the profit Kaizen that we talked.

Rushabh: Okay. And just the last question from my side. Any potential sector or any different target company in the TI3 bucket since it's been almost 3 years since we worked at CG now. So I was just checking if there is anything.

Vellayan Subbiah: No. As we've said, we continue to monitor different targets. But right now, valuations and most things are very high. And we've been very clear that we don't want to overpay or even kind of pay for any assets that are kind of -- that are not -- we would prefer third quartile assets, basically, right? And so we don't see too many assets in a reasonable valuation range right now for TI3.

Rushabh: And just last question from my side. So since you're expanding in the out of southern markets right now, any specific strategy that we have to pursue differently getting out to the southern markets since we have a certain home advantage there on the, say, brand building or distribution side or the strategy is the same across markets...

Moderator: Mr. Rushabh, I'm really sorry to interrupt here. Could you just hold on to your question for a moment because the Chairman, Mr. Arun Murugappan, has been disconnected. Ladies and gentlemen, please stay on the line while I get the Chairman connected.

Mukesh Ahuja: But anyway, we can continue, I think -- hello, can you hear me, Rushabh?

Rushabh: Yes, yes, yes.

Mukesh Ahuja: Yes. So I think as far as -- you're asking for 3-wheelers, we're taking a different strategy in north, is that your question?

Rushabh: Yes, 3-wheelers and truckers, general basis for both.

Mukesh Ahuja: For EV in general, right?

Rushabh: Yes, yes, yes.

Mukesh Ahuja: So Paul, do you want to just answer?

Moderator: Ladies and gentlemen, I've got Mr. Arun Murugappan, the Chairman, connected. You may please continue.

K.K Paul: By and large, the overall branding strategy, etc, will remain quite consistent in the way that we are building the brand. But in terms of tactically how many dealers to have, where to have, that would be different for different segments.

For the tractor,, if we look at, there is a selective markets that account for large shares of that range, and therefore, launching the productions in those markets actually. So that's how it would pan out as we move forward.

Moderator: The next question is from the line of Sundar from Avendus Spark.

Sundar: My first question is for Mr. Mukesh. So one clarification here is that, we've grown at about 13%, 14% in terms of volume while the underlying category growth specifically 2-wheelers and 3-wheelers not meet this number, so what's really left to this outperformance in terms of volume growth for us?

Mukesh Ahuja: I agree with you that 2-wheeler is not growing. But if you see passenger vehicles has done pretty good as well as commercial vehicle industry and the 3-wheelers also is having a pretty good strong growth, as well as our focus on non-auto segment as well as exports as related to this growth of around 13%, 14%.

Sundar: Sir, would you be comfortable in quantifying the export percentage, sir?

Mukesh Ahuja: As of now, it is hovering around 14%-15%.

Sundar: Okay. But this would be very similar to what we have in FY '23, sir, 14% to 15%...

Mukesh Ahuja: But the overall pie is growing in domestic market, what I said is non-auto as well as commercial vehicle and these were pretty strong. So that's why growth percentage of export is maintained.

Sundar: And anything to add on the railway segment, sir?

Mukesh Ahuja: Railway is yet to pick up. We are also working on our capability building things. And we'll see coming quarters, we should be able to do better in railways. .

Sundar: One other bookkeeping question in terms of steel price pass-through. You indicated a couple of quarters back that it is due for another 2 quarters. Is that complete price pass-through standard?

Mukesh Ahuja: Can you come again?

Sundar: Steel price pass-though, sir. Should we assume that the complete price pass-through standard is over?

Mukesh Ahuja: Like Vellayan said that we don't predict what is going to happen into the price. But we have a arrangement with our Customers for the increase / decrease. Whether it can be increased or decreased scenario, we are able to settle with our customers accordingly.

Sundar: All right. And just 1 other point that I want to throw to Mr. Vellayan. Question out here is from a larger scheme of things, specifically on the CV, HCV segment. Because there were a few news articles that had mentioned that there was an order book of about INR1,000 crores on the HCV segment, which was about a couple of years ago. So what sale happened on the HCV segment? Would you be comfortable in quantifying in terms of revenues performance at 3-wheeler, performance at HCV. Any color there, sir?

Vellayan Subbiah: Yes. So the HCV, so just to give you perspective, the order book that you're talking about was kind of when they were predominantly being pitched in an OPEX mode, right, basically being sold in an opex mode. Whereas we have moved it to a construct where we have a strong preference to sell them and are only selling them right now in a capex mode, right, which basically somebody pays for the entire asset upfront.

The second thing we've done is kind of spent a lot of time reengineering the product as well. We have started shipping the product the last quarter. And volumes are kind of ramping up. So basically, it will take at least a couple of quarters because first customers want to trial the product.

So in a capex mode, the sales cycle tends to be longer because first customers want to trial the product, then they buy 1 or 2 of them. And when they start working well for them is when they start scaling up their buy. And so we basically changed both the sales process and the product there, and it's just starting to ramp up in the new structure.

Sundar: Just a continuation to like interestingly, the last segment report, you had mentioned that it would be also exploring the other models. But have we finalized that's going to be only on the capex model?

Vellayan Subbiah: Yes. Initially, we're going to sell them in the capex model. That is correct.

Sundar: Right. And 1 last question from my side is that on the EV, obviously, there is another pending investment about another INR1,000 crores by March of 2024. Any progress that you would like to share on that from, sir?

Vellayan Subbiah: Sorry, you said?

Sundar: On the TICMPL side, we will be due for about another INR1,000 crores of investment by the March 2024 as an external investor is what you're targeting on that overall...

Vellayan Subbiah: we're in the middle of a fund raising process. .

Sundar: A bit cheeky here, but is that going to be valuations? How was it looking from the previous round of increases?

Vellayan Subbiah: So we can't comment on something that's in process. But at that point, we indicated how we would grow about it, and we are not there from that. We're following with the same approach we've indicated there.

Moderator: The next question is from the line of Vipul Kumar Shah from Sumangal Investment.

Vipul Shah So can you comment on the progress of our EV tractor and this EV heavy-duty truck? So what is the progress? What is the sales volume? And what type of capex we are looking for these 2 divisions?

Vellayan Subbiah: So I just talked about the EV heavy-duty truck. So I don't think I have to repeat that. I just kind of answered the question on the heavy-duty truck.

On the tractor, we have said and we continue to maintain that we'll basically get it homologated in the first quarter next year. And then basically, it will start selling, so homologate in the first calendar quarter, and then we'll start selling it in the first fiscal quarter.

So January, February, March is when we will submit the first model, which is a 27-horsepower equivalent for homologation. And then it will go into start of production in April, May, June.

Vipul Shah: And so directionally, if -- for a few quarters -- we will see EBITDA losses increasing as the sales volume increases in all 3 EV products, sir?

Vellayan Subbiah: Yes, that is correct.

Vipul Shah: That is correct. Okay, okay...

Vellayan Subbiah: You talking standalone or consolidated, obviously, that doesn't come in the standalone numbers. It's part of the consolidated.

Vipul Shah: Yes, consolidated only, yes. Okay. And sir, we are investing...

Vellayan Subbiah: So basically, most of the plant build-outs are done with the exception of the small commercial vehicle. So once the plant build-outs are done, the product should be more or less steady state in terms of kind of where our EBITDA losses are.

Vipul Shah: So this quarter's EBITDA losses should be taken as a baseline?

Vellayan Subbiah: This quarter is...

Vipul Shah: Yes, it is around INR52 crores, if I remember correctly, for EV products.

Vellayan Subbiah: Yes. So I mean, if you leave capex and some of the other things out of it, obviously, which won't kind of flow into EBITDA. Directionally, I believe, that's correct, yes.

Vipul Shah: And sir, lastly, we are investing in so many initiatives from CDMO to EVs. And so don't you think even if all initiatives succeed, TI will be a holding company and generally market gives a substantial discount of 50% to 70% to the holding company. So your thoughts, please, on this particular aspect of regarding valuation of TI?

Vellayan Subbiah: Yes. So we've discussed this idea on kind of capital structure before. So what we have said is that, first, let's kind of the businesses grow, right? So I mean there are 2 things, right, which is -- one is we are first focus more on business growth than in valuation.

So first, we want to focus on getting the business growth story right, and then we'll think about capital structure after that. But I don't think it makes sense to optimize or lease our capital structure because, first, we have to be focused a bit on business growth.

Moderator: The next question is from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: Sir, my first question is for the Engineering division. Now that's a division that used to be earlier very heavy on 2-wheelers. And as an industry, we have seen that growth in underlying 2-wheelers has been fairly muted. So given the diversification that you have done in terms of exports, non-auto and other things, what is the growth rate that 1 should assume on a sustainable basis from this division, given the diversification that you have, sir any thoughts?

Mukesh Ahuja: I have indicated on the last call, maybe we can assume a growth rate for 3 to 5 years about 12% to 15% in increase.

Abhishek Ghosh: Okay. Are there any scope of market share gains here? Or does that still exist? Or have we kind of -- our market shares are fairly elevated here? Any thoughts?

Mukesh Ahuja: No, we are continuously working on that. Even this quarter also, there are some gain in marketshare, which is reflecting in the total volume growth. So wherever the opportunities are there for the new product development and EV participation, we're doing a pretty well participate in that, and we continue to work on this.

Abhishek Ghosh: Okay. Okay. So we've also seen healthy margin improvement in the current quarter. Is that because of mix? Or is it because of operating leverage or the cost initiatives? And any thoughts on the same?

Mukesh Ahuja: So it's a combination of 3, 4 things. Like we indicated earlier, we are working on the Kaizen initiatives, which is we're adding to the operating efficiency. Also product mix is the continued focus and participating new initiatives like light weighting, which is emerging also in the industry and exports focus where margins are much better. So it's a combination of 3, 4 things, giving you result and we are focused on those initiatives.

Abhishek Ghosh: Okay. Okay. That's very helpful. Sir, just coming to the Metal formed division. You spoke about railways still hasn't kind of picked up, but there are some tenders which are supposed to be ordered out. Any update on that? And how should one look at the outlook on that? Because railways, overall, we are seeing an improvement in the overall capex cycle. So how should we look at this aspect?

Mukesh Ahuja: So like your observation is right. Railway has released tenders and now we are participating on those tenders. In coming quarters, we see that railway revenue should grow.

Abhishek Ghosh: Okay. Okay. And have we added any new client as far as the doorframe part of the business is concerned? Any new client addition that has been done in that?

Mukesh Ahuja: KRS, will you take this?

K. R. Srinivasan: Yes. As far as doorframe is concerned, we are likely to participate in the Western region project of Hyundai, which has already been published in the media. So we'll be actively participating in that.

Abhishek Ghosh: Okay. Okay. That's helpful. And just about on the EV part of it, you mentioned about some supply change challenges. Has that got resolved? What are the learnings, how we are implementing. Some thoughts there will be helpful. .

K.K Paul: This is Paul here. I think it is getting resolved. We are working very closely with the concern vendors to get the PCB replaced. So our central quality, R&D and the business, they're all working together along with the vendor to see that the PCB is met and we are making substantial progress.

The cost what was there in the first quarter versus the cost at the end of second quarter in terms of the material cost is coming down. And we have a clear road map to get there because we have individual contribution targets for the different products. And we are working on a very focused manner now in terms of getting that organized.

Abhishek Ghosh: Okay. Okay. So you don't think that can be a constraint for the ramp-up of the monthly volumes that you are doing. Do you think that should get resolved over a period of next couple of quarters given the kind of work that you're doing with the vendors?

K.K Paul: Monthly volumes also, we have adjusting to that. That's number one. Number two, as I told you at least in the 3-wheeler where we are ramping up now, we are able to ramp up the volume significantly month on month in terms of this. So that gives us the confidence that we will overcome this challenge in relation to the plan that we are making. That's number one.

Looking on from these numbers, we are working proactively on the track material for the variance that Mr. Vellayan talked about that we'll be launching, so that we -- at the launch time, we are having matched the BOM cost to the selling price. That's my answer to you.

Abhishek Ghosh: Sir, just 1 last question from my side is, if you look at your broad cash flow, you're generating almost about INR300 crores, INR400 crores of cash flow in the first half. So broadly annual cash flow will be of INR700 crores to INR800 crores. How should one look at the allocation there in terms of capex and any other things? If you can just broadly articulate that, that would be helpful.

Vellayan Subbiah: I think we've talked about this a bit in the past, which is like we have announced the expansion for engineering, and that will come into the cash flows and kind of the usage of cash this year.

See, broadly, we're going to use it for -- right now, it's getting used more for TI1 and TI2 opportunities. And that's the focus right now. And we -- and which opportunities we targeted at is going to be based on where we see the best return options. And strategically the sectors we want to be in as we take a longer-term horizon to it, right?

And I think that this is fundamental to what I would call this reshaping of TI, where we said we want to diversify away from being an auto supplier. So I think that as you're asking for specifically where will we deploy that cash, I think will vary. We have a list of pipeline opportunities that we have as potential areas where we want to deploy the cash. And we constantly keep evaluating based on the best options, which are both driven the financial returns and strategic movement in terms of where we want to move the company in the future.

Abhishek Ghosh: Okay. So would it be fair to assume that TI1, 2 will broadly consume about INR300 crores, INR400 crores of annual capex. Would that be a fair assumption?

Vellayan Subbiah: It could be -- I mean, between -- yes, it could be even more.

Abhishek Ghosh: Okay. Okay. And sir, one of the areas you had mentioned where we're seeing a lot of traction in terms of the overall electronics manufacturing or the mobile-related value addition, any progress because we are hearing a lot of these localization happening, a lot of the development there. So any thoughts on that, sir?

Vellayan Subbiah: Yes. We continue to focus on it. The -- but we will continue to explore and are identifying what we think will be the right first step to take in that segment. And when we're ready, we'll basically talk about it once we have finalized.

Moderator: The next question is from the line of Mr. Anupam Gupta from IIFL.

Anupam Gupta: Yes. So firstly, if you can talk about the optic lens business. Any update on that in terms of ramp-up of what's happening from the client side, that would help?

Vellayan Subbiah: Yes. Anupam, we've got product approval from the first customer. And now we're still in midst of discussions with them in terms of what volumes they can take and pricing. And once we have that finalized, we'll start manufacturing product.

Anupam Gupta: If you look at this possibly in terms of the existing capacity which you have and possible customer additions beyond the first one also, what sort of -- let's say, if you look at 2, 3-year horizon, what sort of contribution can this business have to TI?

Vellayan Subbiah: No. If it scales. What we've built was a fairly low capex investment at that point in time. So if it starts scaling, we will have to invest more in it. So that's why I don't want to comment on it first till we have a successful customer. So I don't want to get into any of that. We first show customer success and product success. .

Anupam Gupta: Okay. I understand. And sir, on your other initiatives that you had taken earlier, so the truck body building or the TMT. Any thought of -- so since those are not scaling, I assume, based on whatever we understand, what is thought process on those businesses? And how do you take a call on what to do with those?

Vellayan Subbiah: Yes. So definitely, what we will do is -- those businesses, we will evaluate. My sense is by the end of this year, we will have kind of a final answer on what we're going to do with them. We will come back to that. .

Anupam Gupta: Okay. Fine. And if you can talk a bit more about the Lotus and the CDMO businesses. So CDMO, I understand you are in the process setting of the plant. But I understand you will be also talking to the customers, so if you can just give us some picture on what's happening on CDMO and then also on the plan for Lotus?

Vellayan Subbiah: Sure. Mukesh, if Dinesh also on the call. So CDMO, I'll let Govind give you a quick update. And is Dinesh also on the call? If not Mukesh, one of us can give an update on Lotus. So first maybe Govind, you can just give a quick update on where we are on CDMO.

Govindarajan Narayanan: Sure. I think the first, the lab is getting ready. And in fact, we have applied for the consent to operate and should approve in the next week or so, like a week or maximum 10 days, 10 working days, and then we should be able to commission the lab.

The objective was to first start the FTE business. Already the customer meetings are on. I think as we are speaking our business development, folks are in the market. And we also paid for a 25-acre plot. And we have got the confirmation letter, and we are waiting for development letter. We already finalized the engineering consultants and once the allotment letter, then we'll be ready to move with the project payment and start the construction. So that's the plan as of now.

Anupam Gupta: Okay. And any specific -- so you said -- but any specific niches that you are targeting? Or how do you look at beyond once you start the plant?

Govindarajan Narayanan: So the strategy here is to ensure that we would be doing both the contract manufacturing as well as a certain percentage of the business will also do certain APIs. And we are also introducing certain degrees of differentiation by introducing platform technologies. We already tied up with a player on a continuous process for pharmaceutical products, and we've also like signed an MOE for the biocatalysts and enzymatic process.

So these platforms would be utilized for both positioning ourselves and getting contract manufacturing as well as we would pick up certain traditional APIs and make it more cost effective using these platforms to go to the market, so that's the plan. And those product development would start as soon as the land -- or the permits are up and then we are starting the land.

Anupam Gupta: Okay, okay. And just 1 lastly on CDMO. What sort of employee base you have created at this point of time?

Govindarajan Narayanan: The lab would house around 120 to 130 people at the peak. At this juncture, we are having around 15, 16 people who have been already on board. And on the lab gets commissioned, as the business processes, we will be increasing those strengths as far as the lab is concerned. The plant -- as we progress with the construction, we'll increase the manpower as we move towards the commissioning aspects.

Mukesh Ahuja: Coming to Lotus, as you are aware, we said in the earlier call, as far as acquiring these businesses, we can increase the share of business in Indian markets followed by we'll be concentrating on the export markets.

And Dinesh and team are fully focused on how we can improve more penetration on the supplying to more rising homes and do the penetrations of more geography in the India. That work is going on and the large quarter was pretty good.

We've grown almost close to 30% plus compared to the last quarter. And this work will continue. And we are also thinking to do some backward integration to increase the operating margins going forward. That's the answer we've got.

Vellayan Subbiah: And we've also seen an improvement already in operating margins, both in operating margins and in revenue. .

Anupam Gupta: Just 1 last question on Lotus. Will you need to do capex where again for expanding capacity to cater to the market which you are talking about?

Mukesh Ahuja: We're doing -- Vellayan, do you want to do first?

Vellayan Subbiah: No, go ahead, please.

Mukesh Ahuja: So for doing current volume and the market penetration, we don't need any capex. But however, we want to take care of the total supply chain in that we'll be doing some capex in coming years. .

Anupam Gupta: Okay. Right. And sir, just 1 question on the Cycles business. So this obviously is struggling given the weak demand domestically. And earlier, you had talked about the export opportunity if you are able to get your cost down. So what's the progress on the cycle business at this point of time? And how will you -- so I understand it's a cash positive business, but still, what's the call on a, say, longer-term basis?

Vellayan Subbiah: So our focus -- see, basically that whole business now needs to get reoriented, right? That the only -- the scalable solution for that business in the long term is for India to become an alternative export hub, right?

Given that China plus 1 is now kind of beginning to play out and people have -- a lot of people appear to have either antidumping duties with China or basically want to curb the amount they import from China. So that requires a whole turnaround in positioning, which we're focused on.

But again, it's going to be a journey that takes time because we have to get -- we have to start ramping up on the export side and it's not going to happen overnight, but it's a journey we are focused on. So let us go through that process.

Anupam Gupta: Okay. Okay. And sir, just 1 question. You had responded to Abhishek's question for electronics that you are looking at various opportunities there. But -- so what will be the model we are looking to do? Will it be, let's say, a more manufacturing base where you are looking for technology-based acquisitions...

Vellayan Subbiah: So once we've got this finalized, we'll share it with you. I mean, I think kind of we're evaluating, obviously, right now. I don't want to comment on it. Once we finalize, we'll share it with you.

Moderator: So ladies and gentlemen, as there are no further questions from the participants, I would now hand the conference over to the management for the closing comments. Over to you, sir.

Vellayan Subbiah: I think from our perspective, we continue to be focused o in the -- 4 financial metrics in the core business and on these TI2 efforts and ensuring that they are driven to success. And we continue to be very bullish, both on what the initial green shoots we're beginning to see on the EV side and on some of the new growth businesses, and so we're very encouraged and bullish overall. So I think that's it from my side.

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

Vellayan Subbiah: Thank you.

Mukesh Ahuja: Thank you. Thank you all.