TVS Motor Company Limited

May 26, 2023

MANAGEMENT	**:**	**MR. K. N. RADHAKRISHNAN – DIRECTOR AND CHIEF EXECUTIVE OFFICER – TVS MOTOR COMPANY LIMITED**
		MR. K. GOPALA DESIKAN – CHIEF FINANCIAL OFFICER – TVS MOTOR COMPANY LIMITED
ANALYST	**:**	**MR. AMIT MEHTA - MANAGING DIRECTOR - EMERGING MARKETS AND ASIA PACIFIC (EMAP) EQUITIES**
		MR. SANDIP PATODIA - EXECUTIVE DIRECTOR - EMERGING MARKETS AND ASIA PACIFIC (EMAP) EQUITIES
		MR. GOKHAN ATES - RESEARCH ANALYST - EMERGING MARKETS AND ASIA PACIFIC (EMAP) EQUITIES

JP Morgan AM: So quite a few of our questions will have to do with your long-term vision, how you manage the business and how you see the business within either the domestic Indian market or foreign market? How should we get started on these dynamics? Do you want to get started with questions?

K N Radhakrishnan: Because all of you know that TVS Motor Company. You have gone through all of those goals. So to be expressive -- the next we can focus on the clarification we have, the things we have, that will be better approach with my position.

JP Morgan AM: Sure, maybe I can start with the first question, and my colleagues can just come in any time with their additional questions. Could you tell us what you see as TVS's strength versus its peers in the Indian 2-Wheelers market?

K N Radhakrishnan: I am a guy who never talks about competition. If you ask me this question, I can tell you, about our strength. The customer and quality, durability, customer-delight are our principle focus. And if you look at that, that's kind of an idea, [indiscernible] for example, we look at the C&GR, that we focus on the emission policy. We focus on the TGW. TGW is focused on right. And so it's the satisfaction of the customer because it's the customer who comes for service, in two-wheeler is the first service comes after almost 30 days, 1,000 kilometers.

K N Radhakrishnan: We are here for the group. I'm coming back to your question. It's all about customer, customer, customer. And we have been number one, rated number one by JD Powers, of course key brands as well as for the dealership, service to the customer, this is number one. Number two, the last four or five years, we very clearly look at the customer pigment. We look at what future, what kind of technology they want, what kind of innovation they want. And we position our new products to that. And what we are seen is every product is the driver or the decision maker, I think it has been a great success. Because what is most important is to sharply focus and even believe in IT. The customer will allow it, that's the most important. That is number three.

Number three, when the customers are delighted at the time, you can always look at the top line. So in reality, also, we only try to look at the top line. Let's start from the question of time selection. Why top line is important? I don't have to explain to you. It's good for the people, distributors, company. All of you know that there have been a lot of challenges in the top line for everybody, country by country. In India we've gone through the COVID situation and we have also looked at the place situation and we come back to challenges. The most important, according to us, is growing ahead of the industry. The first and second will always translate into profitability. So this has been our strategy. We will continue in the future.

JP Morgan AM: Thank you. And don't really mind if I just jump in. So just to you again, thank you very much for your time. I'll apologize ahead for some of the basic nature of our questions. If on just the two areas you just talked about when you talk about growing ahead of the industry, and I would say we're much more familiar with Bajaj and Hero, they have different prices for different experiences, different sort of international experiences. But how do you see both and obviously, you've grown share, but firstly, what on the industry, how do you see the rates of growth of the industry going forward?

And secondly, when you think about the market share and where you've grown and come to, where do you expect? Or do you see limitations at some point, particularly with the nature or where your product pricing etc. Does that need to change at all to have a different set of market share? So, two different questions. One on industry growth and two in where you think market share for you can ultimately get to?

K N Radhakrishnan: Obviously, the way you have to respect India, the current growth rate is not really the personality of the two-wheeler industry. Why do I say that? India, I don't have to explain to you the population, the demographic, how we're going into it. And which is good in India, the infrastructure in which the Government, the kind of growth of the sector, the kind of higher we are, I think there is going to be clearly, the mobility is going to be much higher. And in India, when we have huge population, the public transport is the reason. So people are mobile, but they don't have any kind of structure for the transport system. So, the only and only way is to do that. This is something which is affordable. this is something which is cost-available, this is known, this is one reason.

Second, if you think of India, 50% of the population, it's built on blocks. They don't have Government jobs, they don't have any other jobs, they are a plumber or an electrician or a vehicle service, carrying, you know, something, you know they take the food from one place to another place, they distribute, they sell, they have a lot of transportation every day. So if I look at more and more of the bottom of the pyramid, it's much more proportionate. Maybe in the urban, we may have employed people in various types of industries, but when you go deeper and deeper, it's all about self-employed. So self-employed, the productivity goes up when they have mobility. Mobility comes from an affordable solution like a two wheeler.

Just before, about three years back, up to 2017-18, India's C&GR used to be about 10% above. My prediction is it will come back to the double digit going forward. What has happened in the last, in my opinion, about 12 to 15 quarters, three things have happened. I don't have to explain about this COVID situation, but much before that, if I look at it, we moved from BS3 to BS4, which like, you know, all of you are familiar with Euro3, Euro4, Euro5, and then we went into BS6. Today, our products are equivalent to a European product, okay, in terms of emissions, in terms of technology. All the products are electronically injection, like the technology that we see in the past. 50 standards are exactly like European standards. Products above 100,000, 80,000, and so on. And all this has put the cost to go up. The product prices have gone up by at least 40% in the last 15 quarters, but the income level of the people has not gone up.

And I already told you, 50% of the market is rural, where it's all self-employed. So now that there is no, COVID situation is becoming much more under control, people know that they don't have to get hospitalized, people know that there are no lockdowns, they have started earning more. The rural economy is the most tricky one. So as the income level goes up, I'm very sure that the first thing they will look at is the 2 wheeler.

So it's a question of time, possibly in a year's time, we will see a more of a pickup in India, and I am certain that you can expect a P&G of minimum 10%. Okay. While I say that, in the international market, different markets are affected. Africa today is a taxi market. So predominantly, people are sold for taxi purposes. You know, one guy drives the bike, or there is a tea connoisseur who buys a drink for the driver, and they carry, they drive almost 300 kilometers every day. And roads are not there, they carry almost 5-6 people. So, according to me, next year, it will be after, possibly after 10 years, because they are also now investing in infrastructure, educational levels are going up, the life expectancy is becoming better. Many people for taxi, slowly you are able to do commuting happening, some of the cities. So, when you look at some of the markets like Middle East, better, infrastructure is better, people are looking for both commuting and utility purposes.

If you look at the ASEAN market, again, the commuting is there. Of course, there is also some sub-bloc groups are there. If you look at LATAM, I am only talking about the developing markets. If you look at the developed markets, you know, higher product, huge opportunities. So, two-wheeler has got huge opportunities and the strength of TVS is, we have excellent design and development capabilities. We don't compare anybody. We are completely R&D focused, design focused, and we have almost thousand engineers who are practically looking at innovation, innovation, innovation, and we have excellent product range. When I look at the Indonesia product, again, it is completely different, it is unique; we get feedback, completely different. We don't sell anything here.

And second, many of the international markets, the product market, the product what we are selling, we don't sell in India. So, the uniqueness of TVS is to identify the product, the geography, the segment, and design and development. It is just investing. If it was paid, then it will do well in the future. This was your first question.

What was your second question? Sorry, it was a little long, so sorry to ask. What was your second question?

JP Morgan AM: The second question was your -- obviously, market share has changed quite dramatically in the last few years. So, just trying to understand a little bit more about whether you see limitations on, I mean, there is obviously an industry pattern that you talked and articulated very well, whether -- where you see limitations of potential opportunities on the share side?

K N Radhakrishnan: See, I can't, my simple principle is, I don't put a target on the market share. I always say that I have to grow ahead of the industry. Any month, I respect only one thing to my sales team. Industry grows by 15%, I have to be higher than that. While I say that, I don't look at the exact market share. Billing to the dealer is not the market share. Sales to the customer is the market share. What you sell to the customer is the market share. Fortunately, all of you know, in India, there is a registration data. It was not there a couple of years back.

And the second thing is, I always believe that the customer should get fresh rating. So, I always tell the dealer, don't keep more than 25 days of stock. Why 25 days? If you know India, from the plant to the regulatory point, it takes almost seven days. Okay? We use trains, we use trucks.

Okay, India infrastructure is good, but if you look at some of the African markets, it takes even point to point, also it can take even two to three weeks.

So, my simple principle is, you keep, there cannot be any retail loss. When the customer comes and asks for an acquaintance or a which color or an ABS fitted vehicle, you should not say, I don't have stock. So, we have some warehouses, supplementing to the dealer, plus we keep maximum, maximum 25 to 30 days of stock to the dealer. And also, we with the sub-dealer. Nobody does it in India. No other company does it in India. Okay? And all are cash and carry. We don't give credit to the dealer. Okay? It is a self-sustaining mechanism because the customer gets the fresh read. Okay? That is the simple principle. With that, you have to grow ahead of India.

JP Morgan AM: I think the one follow-up, just on completeness there, would be, I mean, if you speak to other two-wheelers, they say that our target is to grow faster than the industry, and if everyone is trying to grow faster than the industry, everybody closes the industry rates, right? So, I'm just trying to understand, you know, again, if you're the customer, what is the TVS's proposition that makes it more attractive than a dealer or auto drivers license? Is it price point? Is it engine size? Is it design? Why do they buy a TVS 2-wheeler versus anybody else's 2-wheeler?

K N Radhakrishnan: Exactly what the JD power calls is all about attractiveness, you know? Okay? It talks about how better in terms of power, performance, in terms of convenience, in terms of riding, in terms of features, in terms of technology. Okay? I can keep going on and on and on talking about features of the JD for the rest of your time. Okay?

Some of the things, what we see in a car, we have given in the 2-wheeler as an affordable price. Okay? And my pricing is always equal or better than competition. I don't discount the brand. Okay? We don't discount the brand. But the investment is in the technology and the product and the durability of the customers. That we don't compromise. Hence, there's always pull in the product. Always pull in the product. Okay? Otherwise, you cannot, you can't say that I will only keep 35 days of stock and based on the pull, the dealers have to bring in money. They will bring money only when the products are demanded by the customer.

JP Morgan AM: I mean, I just wanted to follow the same line of questioning that Amit was referring to. I mean, clearly, I'm anticipating that it's the up-selling price and product differentiation in terms of features, that sort of drive is pulling the brand. And I think you also said when you were talking about that it requires continuous investment, which is sort of difficult. I guess if I look at the near experience, it's consistently invested in the product engineering. So, can you talk a little bit about that culture and how does that impact? I mean, because you invested for so long, your team was sort of, the profitability was significantly below competition in that sense. So what do you have to do with the ML line when you continue to do that? How do you gather insights and product features that you need to use? But the competition is catching up. How do you stay ahead? There's sort of lots of questions in that space. I mean, you can talk to me about that.

K N Radhakrishnan: So that's where I'll give you one example, because I have plenty of examples in each of the products. I'll give you one example. When we developed the Jupiter, I was doing an analysis in India. Normally in the future, unlike in most places, the customer has to lift the seat to put the fuel. So that is the industry practice. Activa, which is the best brand in India, Honda has bought it. It's lifting the seat and you have to put the fuel. We found it's a big customer inconvenience. So we said, you don't have to get down from the seat. We'll do external fuel fill in the rear. So, Jupiter was the first to be put in India, which required completely external fuel fill in the rear. It required completely engineering change in terms of how the chassis is designed, how the petrol tank is placed, how the fuel flow is designed. It requires engineering. It is challenging the way we do it.

And I agree with Amit, the moment you do that, competition is not going to be there. In three, four years, competition comes with external fuel fill in the rear. But Jupiter 125, we already move the fuel fill to the front. Why did we move that? Because any customer who is stepping in the rear, he says, I have to turn and look at the rear when somebody is fueling. I have also looked at the rear because normally in India, customer doesn't believe any in-petrol manager. They always believe that they will always cheat them. So the customer voice was very simple. I'm happy I don't have to get down, but I have to keep fuel as well as gear. So, can you do something about it? That is the way we innovate the petrol tank in the front rear. Fuel is released in the front rear. It will take another four or five years for somebody to catch up. By that time, he will again decide what is the next level of operation. It's a constant innovation journey. Okay?

Now, we have to first give the voice of this thing in a product called, Ntorq. We have to first give all right loads in our Apache series, which is given at 150 cc. Okay? If I have to really motivate my innovative R&D people, I have to give them talent, look at the pain points of the customer and keep innovating with something new. It's not going to be easy. I completely agree with you. And somebody will catch up. Today's attractive quality will become a cheap quality tomorrow. But this helps you to build a brand. We started with a new product called Raider, which is in 125 cc. We started with 10,000, 15,000, 20,000, 30,000. Now I've come to 30,000. Now we're looking at 35,000.

When the volume is going up, I'm also coming up with new EFT cluster. So, it's just a journey. It's a journey.

JP Morgan AM: I understood, and I'm thankful for that. I guess one follow-up on that would be, you know, I'm assuming what you're saying is a culture of constant innovation that is promoted and comes from the top. So, you're looking for consumer insights and innovating accordingly, not ahead of competition. Was that in the beginning of the firm? Because obviously your market shares were slightly standing for a while before they started imaging outside the market. So, is there a lag between doing that and actually having them around?

And then the second question is part of that question about, so there's a cost to this. So, is that now sort of, you know, will scale of that efficiency come down? And I'm assuming the cost will, if you have a company, you believe that you have the early functions of doing that.

K N Radhakrishnan: In my opinion, we lost market share, we were stagnant in market share because of our own mistakes. I don't attribute it to competition. We came up with a product called GT. And I'm going back to here, long back. If you know the history of the company, we had, we were supposed to be in Suzuki in 2002, and we moved out of Suzuki, and that is the time we started our own international business. I'm very proud that today 30% of our business comes in international, in a very short span of time, because we started much later to one of our key competitors.

We had a product named Victor, which significantly helped us to gain market share. But there were some small errors, but we did a big recall campaign, I think, I remember it was in 2004, 2005, which was unheard of in the industry. So when you do that, some of it is supposed to take advantage of that and keep criticizing that. Unfortunately, I think we made a mistake of stopping the brand.

Now, if I request myself, we should have continued with that brand. And then we said, okay, we are going with that. Let's invest in quality, durability, and really, really go for the best in the stock. So we did that, and we are able to get the benefit of that. And I'm very sure that this will help us in bringing sustainable, gaining market share. But market share comes with a lot of restrictions in terms of, I don't believe in overstocking because it affects the customer. The customer doesn't get the fresh mainframe. So, there are broad guidelines, and within the broad guidelines, every dealer has to perform. And it's also in the interest of the dealer's profitability if he keeps the deal stocked, if he keeps the right market capital. So it's not only our profitability.

And to your second question, when there is top line growth, every line works. There is no top line, there is no line. I'm not so much attached the custom labels. Many people talk about custom labels. I always say that look at the top line, then every line will be easy. That's exactly what has happened for TVS. And even in the top line, we have started looking at the premium products, you know, whether it is a Classic, Ronin whether it is NTORQ.

Another typical example I'll give you, even in Jupiter, we have a base model which is equal to the competition. That means that even Jupiter variant which is really delighting the customer. So we gave a limited edition called. We found that customers are willing to pay much more, the Jupiter variant which is really delighting them. Then next year, all of you know that India has got the Diwali season and marriage season. So we are going through the marriage season. Now Diwali will be September, October. This is more of the colleagues from other parts of India, from other parts you can tell that. Diwali season is something like 40% of the sales happen. And in the Diwali season, one day called Dhanteras, practically we sell 200,000 vehicle. People are crazy on that day. But they need something new. They need something fresh. So we create the limited edition. So, we create a second model. We create a classic model. We create a branded model. Each one has got certain features, certain technology, much priced higher. I can tell you today, within Jupiter, more than 50%, we sell the higher order radius.

I can correlate it to the democracy of India. Suppose Indians do not have money, but aspirationally we are all, we want only iPhones. Even the rural you go; he will have an iPhone. He will not have taken the breakfast also for days, but he will have an iPhone. Aspirationally we are very rich. But you need, you know, for my sales and marketing, if I don't give, Activa price of so and so my customer only buys that. So I create that model also. But when somebody looks at it, and thanks to the retail finance, India now, the organization penetration is about 40%. Of course, there are some dealers also doing a little bit of retail finance. I'm not taking that, 50%. So when somebody comes in, he looks at my base Jupiter, he goes, INR3,000 for INR4,000 for

INR100, but okay, I move it. So, one is premium registration, one is varianting and limited edition and winning the customer, and it helps the brand also move up.

J P Morgan AM : So if you focus on the customer, give them good products, the features that they want, you can do that in multiple segments. You just gave the example of Jupiter for our teammates. It's a very successful scooter. You've grown from a relatively small base over the years in scooters to become number two and the most consistent shared number. You've done very well in premium. You've done very, very well in. But throughout all this time, these have been multiple growth opportunities that TVS pursued at the same time all at once. And now you're actually, in my estimation, doing very well with EV. Are there examples to business, new segments, new products that you consider because you thought, you know, they might be attractive, but both of them didn't do, because you thought you should focus your resources on what you're already pursuing. Because the impression we get is, you do a great job in pursuing all of these things. But at the same time, you seem to have a lot of aspects of pursuing a lot of things altogether.

K N Radhakrishnan: It's not that -- success and failure come together. The answer I gave to Sandeep was, we lost market share because of our own wrongdoing or inaction. Because in a typical market share situation, when we lose a brand, Victor or whatever we lost, competition is not keeping quiet. So losing something, somebody's gain is getting doubled. So that's the reason you have to get it right. How do we get it right? That's why you need quality, you need attractive quality, you need to consistently invest in looking at the customer and design and technology and future. This is number one.

Number two, it's not that every area we have succeeded. Since there is one area, you know, in the entry-level commuter segment. But I'm not so much worried because in our top six or seven segments, we are doing either number one or number two or a strong number three in the 125-cc segment. I'm very happy. Keep looking at the customer again and again. I think you'll get the other segment also right. So it is a balanced portfolio management. Okay? And you'll get the totality. When there is some brands that are not doing well to the desired level, for example, Radeon, it's one brand, I'm unhappy I'm not doing well. But that's okay. That's okay.

JP Morgan AM: How about questioning whether you need to be in commuter bikes? You're doing well with Scooters, you're doing well with premium bikes, you have JVs coming up that might go after success with the low-length super premium most likely. Do you need to be in all the segments in particular essential goods?

K N Radhakrishnan: Do you know what, you see, we believe in the moment you decide that you are going to believe in customers, then you have to be completely customizing and integrating with them. I'll give you one example. When we went to Africa, we had at that time also some of the brands which were selling in India, commuter bikes. We thought we can sell that easily. But the moment we saw that we have such a taxi customer, they carry five people, the seat distance is flat, okay, the petrol tank, even the petrol tank also somebody sits. In the end, somebody sits, five people, and I don't get stressed, they are very strong, roads are bad, then we said none of these bikes are going to work there. That is where we came up with HLX.

So the moment any company puts customer as a starting point, I promise you sometimes your existing will not work. Existing will not work. Okay? Some of my Indian colleagues are there. I'm in Bangalore, Desikan sitting in Chennai. There are people in Delhi. India is a great example. Our languages are different. Who has this kind of people? What we call them across. Basically, if we don't have our coffee or idli in the morning, idli vada in the morning or pongal in the morning, they will explain to you what it is. But I have a commercial client. I cannot give them idli vada in the morning. They will throw me out. The employees will throw me out. They make their chukra chapati or their, what do you call that, with potato, the thick chapatis in the morning with that onion curry. They won't taste it. India is one country. Apache, red color, only sells in West Bengal. In down South, there is one place, only black thing. So the moment you put customer at the center of the strategy, you have to be very careful. You should be willing to invest for the customer. But I can promise you, customer will pay back. Because you came up with 162v in Apache, when we found out that is not enough, you came up with 164v in technology, so we have 200, you have 300.

JP Morgan AM: So I understand the diversity in the product -- in the customer base and how complex the two-wheeler and three-wheeler market is in India. But going by the food example you're giving; you wouldn't be happy just letting somebody else eat chai vada. You have to provide the chapati, the chai, everything, just because the customer wants all of those things and different, they want all of those things. Whatever the customer wants, you'll want to be the provider.

And the other thing you suggested was, you want to be number one or number two, and you'll tolerate strong number three, as long as it has potential to be number one or number two. So is that...

K N Radhakrishnan: I look at total, better than the industry. Every month, if I'm doing better than the industry, with the condition that I don't push the numbers with the dealers, I'm happy. Overall. Then I look at, for example, thanks to all of us, when we started looking at the data, then we started, how is our premium doing within this overall number? Is the premium growing every month? Is the variant growing every month? So that it gives a better and better response to the company in terms of profitability. All our job is about doing well. So this is after achieving number one position. Once you achieve every month better than the industry, then you look at this condition. But growing better than the industry is absolute must.

JP Morgan AM: Okay. So going again by that metric, let's go back to bike riding. And personally, I'm a man of bike riding, and I think that's a fine bike. For teammates, that's a high-end commuter bike, let's say, in India. But you suggested you're not happy with this performance. Let's say, we go for this, we go on for a few more years, that it is not growing faster than the market. If anything, it's over time losing share. Where do you know when to say, this is enough? We need a new product, or we're getting out of this segment. Has that happened? Or how would you take that decision?

K N Radhakrishnan: We have done more in that. I can tell you; we stopped the Victor. It was a stupid decision because we did the recall campaign, and we unnecessarily allowed competition to say, oh, we will not recall. It's all faulty, faulty, faulty. But the customers who bought the Victor, they are extremely happy. We didn't understand that. I'm talking about 2004, 2005. Then we had a brand for a Centra. It was not moving, we stopped. Then there was a product called Phoenix, we stopped.

So we are one company, if you make a mistake, and that is not going to change, we take a bold decision. But what happens when you make such decisions, is that you lose confidence, and somebody else gains confidence.

JP Morgan AM: And these are examples of you stopping products, not examples to you saying, we probably shouldn't be in this segment. Let's get out of it.

TVS Management: Yes, because it is, in my opinion, in every segment, product makes a huge difference, 80% is the product. And you have to be humble, and you have to say that, look, I made a mistake, let's move on.

JP Morgan AM: Can I just try and, sorry, go ahead, do you have the follow up about all? Yes. No, no, but please go ahead, go ahead, Amit. So can I try and connect a few of the areas you've talked about? You know, the top line focus, the product side pricing with the financials, and maybe this is one for the Pacific Arms, but if we look at what, and then there are some areas that I would be happy to clarify, but if you look at, clearly what you've done at the top line and the market shares, they've been exactly as you've talked about, and there's clearly been a huge gain there. If I look through how that's actually happened, particularly in terms of the balance sheet, and again, correct me while I'm wrong, it looks like a lot of that comes, and what's very commendable is that, actually from an equity perspective, you've not actually had to issue any new shares for what I could be since you lifted, but I think obviously a significant increase in leverage, and so you've taken more and more debt over the years to fund some of these activities, and that's obviously been driven by capex, and you haven't really, if I look at the last decade, there's not been really any big cash flow generation of the business. So just want to try and put the context of what's come and what's about to come in the future, about how I should think about, how you think about the balance sheet and leverage, cash generation, capex? And whether and again, when I look at, I mean, some of these, I can't, we could try, but you have things like receivables from financing activity and other financial assets and stuff of your balance sheet, maybe you can just try and connect those bits together, how should we look at it in terms of clean, for the capex and the balance sheet going forward?

K Gopala Desikan: Before takes over, I just want to give you context here. One, we switched over to the cash and carry model three years back. Earlier, we were offering credit to the dealers and thereby a huge receivables we were carrying in the balance sheet. Today, I just want to make one statement. As a standalone entity, we are generating free cash flows after our investments, after our capex related spend, therefore the company is generating free cash flow today. Last two and a half years, or three years close, company standalone is generating free cash flow. Before the investments, in the overseas subsidiaries. That's the first point.

JP Morgan AM: I'm just trying to understand. Okay, so you're making cash flow from operations, but after investments, and then when you said here about money to international subsidiaries, is that what I'm seeing here in terms of…

K Gopala Desikan: I'm trying to say that the investments, the acquisitions, what has happened in the last two years, that is the main reason why we have gone for a loan funding. Otherwise, the operations wise, including my EV-related operations, today, it's all funded over the internal cash generations.

Second is, as far as investments are concerned, they're all strategic, long-term, involving cash outflow, and also requiring support for a few more quarters. And therefore, that has to be funded over and above the internal cash generation through loan funding.

And today, my leverage, if you see the leverage on source, it's not very much. Against the network, I have a leverage of less than, around 0.5, something like that. Not even one time to my networth today. It's very less. My networth is close to INR5,000 and odd crores. My loan is around INR2,000 crores, which includes a sales tax, fee loan of around INR400 crores, INR500 crores. Therefore, I'm not over-leveraged, and the loans are taken only for strategic investments, which come back.

K N Radhakrishnan: I have two important points to highlight here. Five years back, in a similar context, I used to get a lot of questions on Indonesia. We invested in Indonesia, and a lot of questions used to be asked in there. When is it going to, you have invested quite heavily in Indonesia, you have designed, developed, and you have a plant there. What are the planning to do? At the same time, we also started the credit services. The retail financing, but in financing now, it's not only retail financing, it has got many other financing actions in that company. Both were not profitable. But today, in the last couple of years, both are extremely profitable. Indonesia last year was 5 million, and this year is going to be extremely good in terms of overall profitability. TVS Credit Services, I think that the size is more than INR20,000 crores, and last year, I had already INR500 crores of PBT.

So the point I wanted to highlight is, if I look at success rate where we have invested, and what kind of returns, we have been very successful. So currently we have invested in Norton or SEMG or the other e-cycle businesses, which are going to be the order of the day. And second, now we are into the EV business. Currently we are selling only in India. So, EV business gives us an opportunity -- and in the two-wheeler business, we are only present in developing markets; 70 countries we are exporting, and the majority is Africa, Latin America, ASEAN countries. We are not yet in Europe or US or Canada. Of course, with our association with BMW, the 310 series, more than 150,000 customers are there globally, in all the developing markets also.

But with the EV, it is going to help us also to get into all the developing markets. So, what Desikan said is absolutely right, is a strategic investment where you have to invest and we are not overdoing it.

JP Morgan AM: Okay, thank you. On the topic of EV, it seems like it is enabling new entrants into the market. Some of them getting money from other businesses, like Ola, or some of them have startup money. And in the long run, most of these may not be successful, and they'll probably go away. But until their money runs out, as long as they remain in business, they're very bad. They will seriously depress profitability. And do you see the danger of the fragmentation and multiple variable profitability in EV business?

K N Radhakrishnan: I have a comment there. We have to be precise and there are more than 450 startups in the EV business. Some of them may be successful, we can’t roll them out. But I am very happy that somebody like among the competitor name we said, I take that as a benchmark, when somebody sales 100 thousands bikes and done. Then we have a huge advantage that, ok 100 thousand of units but let's make. But we don't want to compromise in build practicality or the quality and on i Qube we have more than 35,000 bookings today. I am very happy, at present only about 250 towns on India. I am not even started export. Same principle works in Cell chemistry, cost will come down. A lot of new products have been planned. I think it's a question of time, and I see a great opportunity to enter into developed market. Developed market the pricing can be completely different than that of developing market. So I feel it's a great opportunity at some time this kind of startup challenge is good to have for a 100 year old company. It has got tremendous value. Because sometimes somebody has to shake you up. Its good to have competition.

JP Morgan AM: You mentioned that EV entry vehicle here, so maybe I can ask you, let's say that we hope you are successful about managing the business. But how about 3 or 5 years from today from TVS today. Would it be different?

K N Radhakrishnan: It would be, the one thing I can tell you is that 150 thousand bikes were in the common platform with BMW and us. I think customers are really loving, ok. And this partnership has over now many years and many products are coming from this and we are designing some from them also. So in the initial period, I am going to tell you, on the developed market people have very good reputation of EV. And the e-bike, we are really trying to understand the customer. We are trying to understand the customer, their buying behavior, how they are using it, ok. And we can implement to other markets as well. At 5 years' time TVS will be there in many markets and TVS brand will be really strong in those markets.

JP Morgan AM: Ok. So that's the only difference, you will have a presence there in the developed market, anything else?

K N Radhakrishnan: Its not the only difference. When the brand gets big, we see the kind of product, the kind of premiumisation, you have only seen the success super premium, ok. I may not be able to share the complete strategy of the company at this point of time, but I can assure you that you can put in a nice than you can imagine.

JP Morgan AM: And what will be different in the domestic market in India, in Africa, LATM, others?

K N Radhakrishnan: Customers just love us. From what I have seen is today, our dealers, wherever we go, our brand is getting built and built and built. Keep up the momentum of delighting the customer and I am sure, customer will help us in better pricing, better volume and topline and different experience to them, ok. And we have been full work behind product and innovation. And it challenges us, you know. It challenges us constantly for new innovation and exactly my point. When I meet the software engineers, my electronics engineers they are saying do something new. Exactly what is going to help the brand to get built and this is going very well.

JP Morgan AM: Ok, so let me now ask you if, I remember correctly for the next year you have 19m in capex, 7bn on top of that for additional investment, for long term growth opportunity that you have in mind. What are you priorities for cash, and what are you expectation for cash. What would be the bank balance?

K Gopala Desikan: We are extremely prudent on our capital allocation policy. We are extremely prudent. Good opportunities come through, and if you are relevant to the business, where we are in we will invest.

JP Morgan AM: Any financial criteria for determining that or?

K Gopala Desikan: We have a lot of matrix for fit, and complete due diligence towards financial due diligence before we invest and we do have certain benchmark before we decide on these investments.

JP Morgan AM: Amit, any question?

K N Radhakrishnan: I have a suggestion to all of you. I have a request to the team. Next time fly to Bangalore, on Bangalore you it takes only 35km, you see the plant, see the people, couple of questions what you have, it will really get answered. I am really proud of my employees. It is my advice. See the brand, see the plant, see the facility, see how they interact with you. Many of the questions that you still have in your mind will get answered.

JP Morgan AM: Thank you very much for the personal invitation. I was in fact, I did visit the plant couple of months ago. And yeah, I always enjoy interacting with TVS. Next time will come along with Sandeep and...

K N Radhakrishnan: Come along so that I can met you, yeah. I can host you people and when I am not there normally me and Desikan speak to the people, but if we are not there.

JP Morgan AM: Absolutely. When you tell about the strength, and when we look at the business, do you see any area of improvement?

K N Radhakrishnan: Of course, of course. we are looking at software, electronics we have added new people. How we bring them to TVS culture. On one side we have startup concept, on the other side we have fundamental basic value and how we build that. Second, I have always seen, money is not the problem for business. How do we build the leader, and the businesses? Opportunities are plenty, but we need strong leader. I always see that, the nos of leaders you can create and opportunity is there its always a gap. Because something you know, we have grown must faster, much faster. May be you know a CAGR or a growth rate, we say that you have to grow ahead of industry business, it’s a good challenge to have that. Ok. Another important, is sometimes we kind of, and I am thanking the government for bringing Euro 5 or tomorrow OBD 2 or something other technologies are not available in India. But we are looking at Atmanirbhar. How we design and develop in India. How we get it, and the leap time of that, it’s another challenge, ok. So there are many areas we are required one as a country. Today say for example, cell manufacturing. Then you depend upon imports, which are the countries you can look at it for. There are many many such challenges, many challenges. But we are a very good team. Very good team. And one thing I have seen is that, the infrastructure is improving, the capabilities are improving, the software capabilities are on the best I see. So something constantly, what improving we can do.

JP Morgan AM: Thank you very much. Any other question, Amit?

JP Morgan AM: I have one more final. You talked about what you do and managing new innovation. May be on, what you will not do and that could be and channel financing, or anything that competition or anything that you will not do?

K N Radhakrishnan: We don't compromise on the quality of the customer, ok. Desikan can very clearly tell you, that our credit services team are best in class, right Desikan.

K Gopala Desikan : TVSCS we are the best today. Collections are far better even before the Covid days, though the cost of collection have little gone up. Second KNR can add more clearly. We don't get into the price war.

K N Radhakrishnan : We don't discount. But when I say that, all of you appreciate, the sales and marketing wants the best product you have. And my dealers also want that. So what I do is I match the price of the base model, but all the models much higher price, aspirational products and aspirational features. The more and more I do that, they have realized that its not about the price and more about the quality of the product and aspiration of the customer of our products. Big change in the minds of the people, ok. Big change in the front dealers mind. And this a big journey and I can proudly say that, March 2020, from the covid period alone, we were not giving credit to the dealers. Since then we are giving credit, my dealers are unhappy, my sales team are unhappy, But we want people to look at their investment, their money and buy model what they can see. Ok. Thank you.

JP Morgan AM: Thank you for all the information that you shared. Thank you so much.

[End]