

10<sup>th</sup> November 2022

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001.  
**Scrip code: 532343**

National Stock Exchange of India Ltd  
Exchange Plaza, 5<sup>th</sup> Floor,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai 400 051.  
**Scrip code: TVSMOTOR**

Dear Sir(s)/Madam,

**Reg : Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In continuation to our intimations dated 26<sup>th</sup> October 2022 and 4<sup>th</sup> November 2022 with respect to the schedule of a conference call with the analysts / fund houses post results for the quarter and half year ended 30<sup>th</sup> September 2022 and intimation on the audio recording, respectively, we wish to inform that the transcript copy of the said recording is enclosed and the same has been hosted on the website of the Company and is available at:

<https://www.tvsmotor.com/en/Investors/Communication>

Kindly acknowledge receipt.

Thanking You,

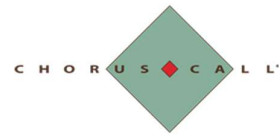
Yours faithfully  
For TVS MOTOR COMPANY LIMITED

K S Srinivasan  
Company Secretary  
Encl: a/a



“TVS Motor Company Limited  
Q2 FY ‘23 Earnings Conference Call”

November 04, 2022



**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**

**MODERATOR:** **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the TVS Motors Limited 2Q FY '23 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder all participants lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation conclude. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala Karani Securities India Private Limited. Thank you, and over to you

**Annamalai Jayaraj:** Thanks, Mike. Apologies for the delay starting this conference. Welcome to TVS Motors 2Q FY '23 Post Results Conference Call. From the management side, we have with us Mr. K. N. Radhakrishnan, Director & Chief Executive Officer; and Mr. K. Gopala Desikan, Chief Financial Officer. I'll now hand over the call to Mr. Radhakrishnan for the opening remarks to be followed by the question-and-answer session. Over to you, sir

**K. N. Radhakrishnan:** Good evening, and thank you for joining us today. Sincere apologies for the delay in starting this call. Season greetings to all of you and your family members and your team.. I'm extremely delighted to share that the company first time recorded over INR 7,000 crores of revenue and EBITDA of INR 700 crores and profit PBT over INR 500 crores.

Revenue is INR 7,219 crores, EBITDA is INR 737 crores, PBT is INR 549 crores. It is very glad that we have launched the TVS Ronin during this quarter. Company, Scooter brand TVS Jupiter achieved a new milestone by crossing the 5 million mark and we are extremely thankful to all of our customers. We have launched the TVS Ronin, the first modern retro motorcycle, which received an excellent response from the customers.

TVS Ronin comes with versatile features combined with unique design, model technology, step free riding experiences across all variant. The motorcycle has got one of many firsts with impressive technology, convenience features like dual channel ABS, voice specifics and enhanced connectivity. During the same quarter, we had also launched the series of iQube product into the market. They are all very well received in the market.

Now with respect to Q2, during the quarter the company's operating revenue grew by 28%. This quarter is INR 7,219 crores versus last year same quarter of INR 5,619 crores. The domestic 2-wheeler market company sales grew by 21%, 7.25 lakhs against last year's 5.99 lakhs. And please note that industry during this time grew by 12%.

International market, we sold 2.52 lakhs against 2.7 lakh during last year. The industry decline was 14% and our decline was only 7%. I'll give you more details about the reason for decline. The 2-wheeler sales grew overall 9.77 lakhs against 8.7 lakhs. We grew by 12% when the industry grew by 6%. The domestic sales numbers include 16,000 units of electric scooter, but what is more heartening is during the number of October, we have delivered more than 8,000. So month-after-month, we are able to ramp up better and we are able to deliver. And we have very good booking of iQube.

Three-wheelers, we are at 0.5 lakhs unit as against 0.47 lakhs during last year's Q2. EBITDA for this quarter is INR 737 crores, grown by 31% compared to last year's same quarter of INR 563 crores. Company registered an EBITDA margin of 10.2% against the 10% margin during last year. This EBITDA was delivered, despite challenges in the international market due to economic slowdown and higher inflation, so we moderated the dispatch because we always believe in keeping the right stock in the market.

In the domestic market, we have launched TVS Ronin and with better availability in this quarter, we were able to put higher investments in marketing because that is very, very critical because we are building brands and also iQube is supported with marketing and being seasoned, we put extra money on the marketing side as investment.

As a part of the release strategy, we have also taken extremely specialist areas of specialized resources in the areas of software, electronic, digital analytics. This is one of the important things that is why the employee cost has gone up. Even though the premium motorcycles the ramp-up was better than Q1, still we couldn't meet the full demand due to nonavailability of certain portion of semiconductors, which is becoming better in the month of October, November. We expect the supply constraints will ease off in Q3.

The PBT for the quarter grew by 46%, INR 549 crores, that's against INR 377 crores during Q2 of last year. The profit after tax grew by 47%, INR 407 crores as against INR 278 crores during Q2 of last year. On EV, as I said, month after month we are able to ramp up and what is heartening is there is an opening booking of more than 25,000 at a peak.

Q2, we were able to deliver 16,000, which is much better than Q1, which is 9,000 this year beginning and our market share is also going up 2.9% last year to now 9.9% almost. With better availability of parts in Q3, we are confident that we will cross the 10,000 mark and then we will go towards the 20,000 mark in Q4.

Currently, iQube is available in more than 100 cities -- towns in India, excellent response. We have continuously expanding our capacity and thanks to the supply chain they are also supporting us. As I said earlier, we will be launching a series of new products in the coming quarters in the -- to have a complete portfolio between 5 to 25 kilowatts in the next few quarters to come. And we have wide spread access in the network with Tata Power, CESL, Jio-BP. And this will definitely enhance the customer convenience much more.

On the new product side for the Diwali season and Puja season, we have given many, many variants and many new products, all grew. 2022, TVS Apache RTR 160, RTR 180 with more power, ride mode and SmartConnect. The new motorcycles are lighter, faster, tech loaded with enhanced performance. The motorcycles will come fitted with Bluetooth-enabled fully digital instrument cluster and Smart Connect.

There is -- they are all adorned with fresh attractive graphics. The new Jupiter Classic launched to celebrate fastest 5 million vehicles on the road on Jupiter and new TVS Jupiter Classic recommits to the consistent delivery of the TVS Jupiter Brand promise of ZYADA KA FAYDA.

TVS Raider has now become one of the most loved motorcycles since its launch last year and it continues to go with Raider. TVS Raider SmartConnect PST variant launched with custom glass features with a series of TFT display, TVS SmartConnect with voice, Bluetooth connectivity, navigation, ride report and multiple ride mode and pretty confident that this one of the brands which are becoming super hit in the market.

- TVS NTORQ 125 Race Edition comes with marine blue color. Very good feedback from the market and the new quarter also features chequered flag-race-inspired graphics. Season has gone well for us. And during the season, company has done well. We are very confident that the rural market has started improving.

Now with improved availability of semiconductors, we are expecting practically able to meet the demand of Raider and the premium products coming forward in Q3. In terms of international market, I think there is a slowdown, very visible economic slowdown, currency depreciation, high inflation in certain markets. So we are moderating the risk factors. The retail has started picking up now. Retails are much better than dispatches, but we always believe in lower stocks.

Even in India, post the seasons, we have less than one month stock, that is always our strategy and all dispatches are in cash and carry. Q3 and Q4, you will see new products getting introduced closer to the launch, I'll give you more detail. We have seen, definitely the previous year has been very good in supporting the retail finance and also has done extremely well. And this has been helping the 2-wheeler growth.

With a strong portfolio of brands like Apache, Jupiter, Jupiter 125, Raider, NTORQ, Star range, HLX, Radeon and TVS King and the recently launched TVS Ronin which is extremely well, we are confident that we will grow ahead of the industry both in domestic and international. We have invested especially in the area of marketing with the launch of products. And we have also invested in future technology areas. We have added competent people in digital electronic software because they are fundamental to delivering our strategy on the EV side.

We are pretty confident that quarter-after-quarter with revenue growth, increased Premiumization, continued cost reduction initiatives will lead our sustained EBITDA better and better. And we will continue to deliver more and more EVs. October, we have already delivered 8,000 and you will see that going to 10,00 this quarter. And then in Q4, we are confident that we will go closer to the 25,000 mark per month. Thank you.

**Moderator:** Thank you. We will now begin the question-answer session. [Operator Instructions] We have the first question on the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

**Chandramouli Muthiah:** Hi, good evening, and thank you for taking my questions. My first question is just on the other expenses line. It looks like we've had a good bump up in revenues quarter-on-quarter, but sort of maybe because of higher other expenses than expected the margins are still flat. There's not so much operating leverage visible. So just trying to understand what drove the higher other expenses? And is this run rate to keep in mind going forward as well?

**K. N. Radhakrishnan:** Other expenses, like I said, there were new product launches and the marketing expenses has gone up during the quarter. And also we have added on the -- there are because of the variable expenditure because of the turnover going up, that has also gone up. So the variable expenses is in line with the plan. Marketing expenses, definitely, because when we try to put the launches we want to make sure that whether there is TVS Ronin or iQube or some of the products that we have launched for the season. These are our investments because they are going to pay back going forward.

**Chandramouli Muthiah:** Second question is just on the electric 2-wheeler capacity. I think earlier you had mentioned getting to 120,000 units annual capacity and then sort of taking it from there. So it looks like we are already close to that 120,000 units annual manufacturing capacity on electric 2-wheelers. I just wanted to understand over the next 12 months.

**K. N. Radhakrishnan:** We already have 1,20,000 in capacity. Actually, we were not able to ramp up. But now we are pretty confident, possibly this month itself we will exceed 10,000. Last month, we did 8,000. Now, thanks to all the suppliers, they're all supporting us. Like I said, we have more than 25,000 booking as of now when I speak. So the challenge is to now take it to 25,000 per month. And we are not present in all markets in India. So I think it's a good story.

Our first challenge is to deliver this month 10,000 and then 18,000 to 25,000 by March. So we are giving a lot of confidence in terms of this one because 25,000 will go to 300,000 practically, annual run rate will be 300,000 surplus. So capacity we have. We are now ramping up. The challenge is -- 10,000 we are very confident, now the ramping up to the 25,000 is going to be the challenge because there we have to get all the supply chain partners delivery. Extremely happy on the demand side. I hope I have clarified you.

**Chandramouli Muthiah:** Yes. That's helpful. And just last question is on the recent acquisition that we announced a stake in Nkars Mobility. So I just wanted to understand the thought process behind that acquisition? And any additional color on that transaction?

**K. Gopala Desikan:** This have invested close to 40 and odd percentage in this company. This is basically a company which is involved in the pre-owned vehicle business. And that will help us to understand more the customer-related requirements, it will help us in our relevant strategy. Also, it will help the TVS credit services where the reprocessed vehicles can be refurbished and sold and also gives an opportunity for previous credit service to fund the pre-owned vehicle business also. It is absolutely relevant to the business activity of TVS Motor Company Limited.

**Moderator:** We have the next question from the line of Pramod Kumar from UBS. Please go ahead.

**Pramod Kumar:** Yes. Thanks now for the opportunity, Sir. I think -- just wanted some clarification around the investments that you've been making on the EV side in terms of employee costs have shot up quite a lot and you did highlight that you've been hiring a lot of talent for the EV side. If you can just help us quantify either in terms of what the kind of size of teams we are having or how much of the incremental pressure, because we do understand that the EV business will get -- moved to a separate subsidiary.

And if you can also share some time line around that as to by when do you expect the EV subsidiarization to happen? And if you can generally guide towards the kind of cost at what you're taking on EVs, which will be there till the volumes ramp up? So just help us understand how is the ICE portfolio doing? Just trying to understand the profitability on that count.

**K. N. Radhakrishnan:** See, EV is the most important strategy. And as I highlighted, all the increases -- we are not adding any more people in ICE. In fact, all the vision has been either in the area of software or electronic or digital and analytics, all related to the future. And this is the future mobility requirements and this is going to completely support the company in a great going forward.

And as I highlighted, we have in the next 12 quarters a full product pipeline, completely echoing what we have seen ICE side. So it is going to definitely help us in terms of delivering because you need to put the right people and we need to have competent people who can deliver these numbers and platforms. So please understand that. So that is the reason we are investing behind that. And that will continue because TVS -- the most important thing is even if you look at iQube, we are designing, developing many things ourselves, and we are also partnering with some of the suppliers.

So the true spirit of Atmanirbhar Bharat is there in iQube. I can keep elaborating what all things we have designed and developed. And that is a strength of TVS Motor Company. So whatever we do inside, you will see once or not higher in terms of the people and the development and the kind of investments we handling.

**Pramod Kumar:** And sir, if I -- did I hear you right talking about launches from next quarter onwards on the EV side?

**K. N. Radhakrishnan:** Yes, you will see definitely some more launches from our side. Quarter after quarter there will be definitely some launches on the EV side from the company.

**Pramod Kumar:** And is there a way you can quantify what's the kind of additional costs you're carrying because there's not much of business there, but you're making the investment ahead of time for the future. So I just want to understand how much of this is not related to the ICE business and this will kind of average out itself as the volumes ramp up or when you do the subsidization, just trying to understand how much are we --the kind of -- as a percent of revenue, the investments what you are making on the P&L side on the EV costs, if you can clarify?

**K. N. Radhakrishnan:** What is most important is see how the revenues are going up month after month, quarter after quarter. And it is a combined I plus EV and that is the most important strategy of the company. You keep getting the right brands which are super hit products, which requires investments. And we put the right people. So for example, today, when I'm talking to, I'm pretty confident that iQube is a brand which is likely to do more than 25,000. And this is the plan which we are going to offer leverage globally.

So we wanted to make, for example, Ronin -- the response has been wonderful, that is on the right side. So the sort of products we are putting into the market is a quite investment. So I plus EV, we are extremely happy that we are able to increase EBITDA both in absolute numbers and

in percentage better and better, month after month and quarter after quarter. That should be what we have to say.

**Pramod Kumar:** So in a way, you are reiterating that you -- despite the EV ramp up, this will not be accretive, you will still continue to see EBITDA expanding and even the margins expanding from these levels? Is that understanding right, sir?

**K. N. Radhakrishnan:** Absolutely. Overall, we have to grow better and better both in top line and in the margin.

**Pramod Kumar:** And sir on the subsidiarization of the EV business?

**K. Gopala Desikan:** Yes, we'll come back to you at the right point of time. We are evaluating all the options, including grading of our new subsidiary, we will come back to you.

**Pramod Kumar:** Okay. And sir, final question on the marketing cost for the auto business. Do you -- because you did say there were launch expenses and all of that. So do you see at least those marketing costs moderating a bit in absolute terms for the remainder of the year? Or do you continue to see to maintain these kind of absolute levels for the remainder of the year as well?

**K. N. Radhakrishnan:** If you look at marketing as cost. I look at marketing as a business. How do we take Ronin. See, I don't want to give the numbers what we are looking at, but that is a great brand. Ronin is building up with a great brand. iQube is getting as super hit brand. So the way we have to look at --Jupiter 125. Raider unfortunately had some challenges in ramping up because some suppliers did not support us. Let's say it is shorter the time we are able to deliver more than 25,000 per month. And consumers are extremely happy and I can even take it to the next year. So I don't look at it as marketing cost. I look at the marketing investment to be the bank.

**Pramod Kumar:** Fair enough sir, and thanks a lot for that. And during the course of the call to share the financials of the TVS credit business if whenever you have the time. Thank you.

**K. N. Radhakrishnan:** TVS credit is doing extremely well.

**K. Gopala Desikan:** I can just give share some information about TV's credit service. First time, we have crossed 17,000 on the book side. We are at INR 17,448 crores and gross NPA is lower than the previous quarter reported, it's around 2.8%. And we are meeting the capital adequacy norms as required. On the profitability side, the profit for the quarter is INR 129 crores is the profit for this quarter against last year's INR 35 crores. And the PAT is close to INR 100 crores, which is at INR 96 crores, to be very precise. And we continue to hold 84.24% in previous credit service. It caters around 44% of the requirements of TVS Motor 2-wheeler financing.

**Moderator:** Thank you. We have the next question from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh:** Good evening, sir. Could you talk about the realizations. You have seen a very good improvement this quarter. So how much of this was price increases? How much was mix led? And how much did you get from the currency?



- K. N. Radhakrishnan:** See price increases were happening during this quarter, right?
- Kapil Singh:** Yes, during September. And of course, if you have -- if you've taken any under return on...
- K. N. Radhakrishnan:** Yes, see. During Q2, the price increases about 1%. So overall we have taken a price increase of 1%. And exchange, we got, I think, 0.3%, 0.4% of benefit. Remaining all coming from material cost reduction. If I look at Q2 to Q1 of this year is almost same in terms of RM. So the overall price increase plus exchange benefit plus cost reductions. Commodity increases have been there, as you know, for than 1.5%. So I think overall business is breakup. And we did actually lose something on the mix, okay? So mix is getting better now with a better ramp-up of Raider and premium products in Q2.
- Kapil Singh:** Okay. Sir, I was actually asking about realization per vehicle.
- K. N. Radhakrishnan:** Realization per vehicle is about INR 70,000.
- Kapil Singh:** Yes. So like was there a contribution from better mix of sales also if you could share that?
- K. N. Radhakrishnan:** Spare parts is at the same level. I think we have done spare parts is at INR 670 crores for this quarter.
- Kapil Singh:** Okay. And sir, when you go forward, are you seeing significant benefits on the commodity front? Or like how should we think about it?
- K. N. Radhakrishnan:** Commodity is definitely softening. Going forward, we are also seeing that it has reached the highest level. So we will see moderation going forward in Q3 and Q4. The challenge, like I highlighted some of the international markets because of the economic conditions and because of the issues related to the Ukraine war, I think there is higher inflation, the currencies are getting depreciated. So I think the consumers are having little bit...
- Moderator:** Ladies and gentlemen, the line for the management has dropped. Please stay connected. We will reconnect the management shortly. Ladies and gentlemen, we have the management connected.
- K. N. Radhakrishnan:** Yes, yes. So I don't know to what extent you were able to hear me when the call got disconnected because it was okay from here -- our side.
- Kapil Singh:** Sir, can you repeat from, like when you were talking about pricing in the international market, how it has moved -- or how you expect it to move given that you were mentioning something about commodity challenges and also in the domestic market, if you...
- K. N. Radhakrishnan:** I think commodities have reached to the maximum and we are seeing commodities will soften and it will settle down in Q3 and Q4. And even I told about better ramp-up of now the TVS products and Raider, we are pretty confident that Q3 the numbers will be much better. On the international, there are some challenges with respect to the economic slowdown, little bit of inflation and currency depreciation. So we are mindful of that. Even in the month of October our retails are much positive, but we have made sure that the risk factors are moderated.

This situation could continue for a couple of months, but I'm pretty confident that from Q4 you will see a big change. But even in Q3, we will do better than the industry. Even in the month of October you would have seen both in domestic and international, TVS has done better in risk factors and market share gain. Where on the other side, you would have seen our margins are also going up. So -- and we always keep the stocks very lean, say around 25% of the domestic market type of 1-month stock maximum.

So that has been the principle of the company. So we keep right, and you know that we are completely cash and carry. So all these are helping us to make sure that the working capital not only of the company or the distributor dealer, everything is managed pretty well. This was the point I was trying to highlight.

**Kapil Singh:** I was second on the pricing for international markets and domestic, how do you expect it to evolve going ahead? Have we done any price hike? Or any currency pass-through we will do in international markets to support market?

**K. N. Radhakrishnan:** Pricing, we have done it based on Q2, when I said, I think about a 1% increase both in domestic market and international market we have increased prices. And the currency, we got about 0.4%.

**Kapil Singh:** For Q3. October onwards?

**K. N. Radhakrishnan:** October, we have taken another price about 1.1%.

**Kapil Singh:** In both domestic and international?

**K. N. Radhakrishnan:** No. domestic. This is domestic. See, price increase, we constantly look at opportunities and depending upon the situation we will look at it, okay. Domestic we have increased by 1.1%. We will keep looking at it. Pricing is a strategy. We look at -- what is most important is we have to grow ahead of the industry. And we look into opportunities to also look at the cost increases and overall opportunity on prices.

**Moderator:** Thank you. We have the next question from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Thanks for taking my questions. I just had the follow-up on the margin again. So the bulk of the cost that you've seen here pertain to the launch cost, the increase that we've seen Q-on-Q. Now I'm just thinking from a mix perspective you indicated that this quarter has been positive. We sort of started to even see the commodity tailwinds in this quarter. Now from here on, what is the incremental delta? I mean, I'm just trying to understand how should we see the margin performance?

**K. N. Radhakrishnan:** Margin, as I committed to you, we will grow ahead of the industry, both in domestic and international, and we will continue to do better and better in margin. Okay. I'll not be able to give you a guidance. But if I look at both in terms of absolute INR 549 crores PBT and INR 7,200 crores, both are the highest, okay? So you will see with the kind of product range what we have and the initiatives whatever we have taken on premiumization and also the focus on

launching new products, I think and the range what we have, whether it is Apache, whether it is Jupiter or NTORQ or Raider, you will see us growing both in the top line better than the industry. And in terms of EBITDA, we will grow quarter after quarter.

**Gunjan Prithyani:** Okay. Sir, just clarification, sorry, maybe I wasn't clear in my question. I'm just trying to understand, is the commodity benefit reflected in to any extent in this quarter? Or we'll see that flow through in the second half of the year?

**K. N. Radhakrishnan:** The commodity start softening sometime in September. So you will see the benefits coming in Q3, okay? That again depends upon the kind of quarterly lag, fees, whatever we have the agreement. So what is most important according to me is growing ahead of the industry, growing the revenue faster than the industry and also EBITDA. And marketing costs are investments. For example, when Ronin on any new product when you launch, you have to make it as a super hit product. So that requires -- you need to have that awareness creation. You have to say what are the positives of the product. And that's exactly what we are doing. But even if you look at the question, marketing expenses is steadily coming down.

**Gunjan Prithyani:** And the other 2 small questions that I had was on the festive. Can you give us some sense on how was the festive growth for TVS?

**K. N. Radhakrishnan:** You can see the Vahan. We have done extremely well. We have gained market share ahead of the industry. We have grown ahead of the industry because now Vahan is very transferring to everybody. We have the Vahan retail side -- I look at the festive season, of course, there is a lead lag. But if you look at the festive season, it is 36% in Vahan we have grown. But there is a lead lag. So what we are very much interested is festive season is only one season. We want to continuously grow in Vahan quarter after quarter is the kind of product range what we have. So we always look at not only fees, we look at how do we grow ahead of the industry, how do we make sure that we keep lean stocks. So that is the objective, and that has been -- pretty well.

**Gunjan Prithyani:** And then last question from my side is on the semiconductor side. You mentioned that this will start to ease -- this is easing now in quarter 3. Can you give us some sense on your readers -- there's been a wait period. So what sort of order backlog we have and which will be the models where we can see a very significant ramp-up going into quarter three?

**K. N. Radhakrishnan:** All new products we have seen very good demand in the market and we are not able to satisfy the demand. So we will consistently look at where all we can ramp up, whether it is Jupiter 125 or the Raider or Ronin. I think this is part and parcel and you know about iQube. I give you some numbers. So all the new products, without affecting our existing products we are able to build it. That is what is most important.

**Moderator:** Thank you. We have the next question from the line of Viraj from Simpl. Please go ahead.

**K. N. Radhakrishnan:** We are not able to hear you clearly. Can you again repeat the question?

**Viraj:** Yes. My question is largely on the investment part. So we talked about fundraising plan for the NBFC, idea of bringing in a strategic partner or an IPO. So any update you can provide as to

where we are on that? And related question is, we also made an investment in Rapido We have close to 1% or 2% stake. So just trying to understand what is your thought process? So last year we talked about investments peaking out and incrementally the pace of investment should kind of moderate going forward. But we keep on seeing this INR 100 crores, INR 200 crores kind of bucket investments in these kind of, and so just trying to understand how should one look at investments for next few years?

**K. Gopala Desikan:** Credit service is concerned, still we are evaluating and we will come back to you on that on the fund raise program of TVS credit service. With regard to all the investments, they are all quite relevant. And again, these investments are all into the 2-wheeler related electric site-related investments are only being made. And therefore I don't think there is anything to worry about the investments what we have made so far.

**K. N. Radhakrishnan:** I want to only repeat one thing. When we started Indonesia, that was an investment and today it is giving huge returns. Same way TVSCS when we started, it is giving huge return. And these investments, whatever we are going are on the future mobility space. And also in the right -- so this is very, very critical and TVS will continue to do that. But what is the most heartening is overall with this investment we are able to grow our EBITDA faster than the industry. We are also able to grow the revenue faster than industry. So what is most important is you have to invest and you have to look at quarter-by-quarter, are you growing ahead of the industry in top line, in the bottom line and the EBITDA, not in absolute terms and percentage. So that is exactly what we are focusing.

**Viraj:** Sir, sorry, what I really meant is -- so I understand these kind of investments we're making either to bridge gap in terms of capabilities or to kind of presence into new areas existing. So if we kind of scan the whole landscape in terms of, say, digital or EV or new technologies, post these investments which you have made, do we see any need for further or we think we have kind of covered sufficient ground in terms of coverage? I think the capabilities of...

**K. N. Radhakrishnan:** These are based on looking at the opportunities and we have to seize the opportunity because whether it is future mobility or EV stage, we are at the beginning. We have one IPO. Now we have many-many brands and many products going forward. If you look at our ICE business, there are segments, customer segments, then there is also a huge opportunity to take into both developing markets and developed markets and how do we use this platform. So this investment will be based on the opportunity and the size of the market and the customer and the region benefit.

**K. Gopala Desikan:** Again, I just want to add one more thing here. We are generating a very healthy free cash flow, consequent to secure the cash and carry model. And therefore these investments are meant out of the internal cash generation. just I want to make this clear.

**Viraj:** And second question was, if you can just give an update on some of the key acquisitions which you made? How they performed and the scale up of Norton? Thank you.

**K. N. Radhakrishnan:** Their refer to us whatever we have indicated. They are all as per plan and we are pretty confident that they will all deliver very good results going forward. My analysis, again TVSCS and PT

TVS and you will see now we have started iQube and iQube makes a positive margin, and we are pretty confident as you improve your -- I think most important is from the customer side, they love iQube. So what is most important is create that pull from the customers, grow the top line, every line will help in every investment.

- Viraj:** I'm in more about SMEG and GO AG, how is those being performing?
- K. N. Radhakrishnan:** They are performing well. They're performing well. There may be some short-term challenges because Europe is going through some challenges, all of us know that. But these challenges are not going to be permanent. Things will improve. Because if I look at Europe, there is a huge inflation because energy cost, all of you know that. There are some challenges because of the Ukraine war and we are getting into winter. So consumer sentiments are a bit low. That's okay. For example, I said about domestic and international markets. Some of the markets, inflation is high, economic slowdown. We have seen it in the past also. And I think we are pretty confident that we will go through that and we will do better and better than the industry. And this investment will definitely give returns in the future.
- Moderator:** We have the next question the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.
- Jinesh Gandhi:** Can you share our USD and realization for the quarter and exports?
- K. N. Radhakrishnan:** You want USD. I think the 78.4.
- Jinesh Gandhi:** And exports, export revenues?
- K. N. Radhakrishnan:** Revenues, INR 2,139 crores.
- Jinesh Gandhi:** And how do we look at capex and investments for current financial year? I mean first half capex has been about INR 320 crores, and investment has been close to INR 390 crores. So in terms of...
- K. N. Radhakrishnan:** Yes, capex predominantly it will be in the EV space. We are looking at this year most likely about INR 750 crores. But predominantly it will be in the EV space. This is on the capex side. And investments already basic I told you, TVSCS there may be some investment and the other investments will be based on the customer segment opportunities and all related to future mobility.
- Jinesh Gandhi:** And lastly, would you be having your retail sales, your growth for the festive season and the data which you would be capturing in your system, not the Vahan, because Vahan comes with a lag -- within your system you would be having the retail sales data for festive season comparable number growth?
- K. N. Radhakrishnan:** We have done extremely well. The season has been extremely well, and we are offering with, as I told you, a less than one-month stock after the season and this month also I'm pretty confident in domestic market we will do extremely well. We will grow much ahead of the industry. And you look at our dispatch numbers also, and I'm pretty confident that with better availability of semiconductor, both in Raider and their premium products, I think Q3 should be a good Q3 for

us. Only the face of international market retails are very good, but I am moderating my dispatches because there could be some challenges because of the inflation. So we are mindful about the stocks in the market. And we are really -- we plan proactively and we make sure that it is planned much better. So overall, again, we will do much better than the industry, both in domestic and international, even in Q3.

- Jinesh Gandhi:** Understood.
- K. N. Radhakrishnan:** And I'm confident on crossing this 10,000 in iQube, because now with better visibility of semiconductor. Now our important ability is to ramp up to 15,000 and go to the 25,000 mark, which we have internally set in March.
- Moderator:** Thank you. We have the next question from the line of A Pirani from JPMorgan. Please go ahead.
- Amyr Pirani:** Actually, my first question was on the fact that you have decided to issue a zero coupon debenture to your subsidiary. So just wanted to understand, this INR 310 crores, you are raising to repay some existing debt? Or is it for some other reason? And why are you issuing it to your own subsidiary? I mean, do they have like a lot of cash, just trying to understand.
- K. Gopala Desikan:** Just to give a context, the subsidiary Sundaram Auto Components sold their stake in Sundaram Clayton USA, which we got the shareholders' approval and they have realized money. That money is lying there, that's being upstreamed through a process of a zero coupon bond issue, and this is the total.
- K. N. Radhakrishnan:** And it will only improve the cash flow of TVS Motors for business.
- K. Gopala Desikan:** Yes, this helps us a further cash inflow of INR 310 crores into the system of TVS Motors.
- Amyr Pirani:** Just curious, wouldn't a dividend achieve the same result? I mean, is there some tax issue?
- K. N. Radhakrishnan:** No, it's more tax efficient and dividend depends upon the reserves position of the company. So this cash is available, that's been straight away upstreamed.
- Amyr Pirani:** The other thing is that on the Norton side, we read some news that the latest version of the commando, I think, unveiled in the UK around a month back. So any update if you can give as to on the model launches? And when could we see those vehicles as part of the volumes and revenue for that entity?
- K. N. Radhakrishnan:** Products are getting ready closer to launch, I'll give you more information, but you will see customers getting some products this year.
- Amyr Pirani:** And just lastly on the Ronin, is there any indication that you can give on the -- if there is an order book or if there is a waiting, because I think you have not been disclosing the number separately on SIAM for the Ronin, any indication as to how the numbers are doing, what kind of capacity you're building and what kind of demand you're getting for it?

- K. N. Radhakrishnan:** It is going up month-after-month and Ronin will definitely -- since you wanted the number, I'll tell you last month, we did about 4,000, 3,500 numbers into the market. Month-after-month you will see because we won't sell it through all dealers in India, and we don't want to also. We want to sell it through select dealers with Ronin, and this will grow month-after-month better and better. And it is going to be a super hit product from TVS. We are pretty confident. The initial feedback from the customers are extremely, extremely positive.
- Moderator:** Thank you. We have the next question from the line of Pramod A from InCred Capital. Please go ahead.
- Pramod Amthe:** So if I could look at your consol numbers, which is there on Page 13 of the 29 pages press release, there seems to be a difference of almost like INR 90 crores between in the automotive operation for consol versus standalone...
- Moderator:** Mr. Pramod, we request you to kindly go on the handset mode, your audio is a bit low on the call.
- Pramod Amthe:** Yes. So this is with regard to your consol automotive profits, they are almost around INR 90 crores lower than the standalone. Traditionally, they used to be INR 20 crores, INR 40 crores below the standalone numbers. Is there any one-off losses in our subsidiaries, which made this gap much wider this quarter? And what's the outlook on the same?
- K. N. Radhakrishnan:** I think the way we have to look at consolidated is quarter-after-quarter, are we doing better and better. If I look at quarter-after-quarter, we are doing better and better, overall, now we are at INR 494 crores, Q1 was INR 408 crores, Q2 last year was INR 369 crores. So I think the way we have to look at this, because all this consolidated when we look at it, these are all investments for the future.
- So that is the way we have to look at, because please understand whether it is some of the investments, whatever we have made in Norton or some of the digitals, they will take time. They will take time to start contributing. But the same principle of whatever we have invested in the past has started giving us a very good returns. So overall, the way we look at it is consolidated are we improving quarter-after-quarter, and in resource. So these investments, whatever we have done in the past, whether it is Norton or any other area, you will see going forward, with the sales starting and with the revenue starting, you will see quarter-after-quarter, the overall consolidated profits also will go up.
- Pramod Amthe:** Sir, I partially agree with that long-term vision. We were just worried about is it a start of a new hole or is it a one-off, which has happened and which you'll be able to plug in immediately?
- K. N. Radhakrishnan:** So I said these are all investments. These investments are going to fortify in the future. Exactly like the other question on Ronin. You invest and build a brand, same way all this investment, whatever we have made, overall as a company, quarter-after-quarter, consolidated is going up, revenues are going up. So that is the objective. And these are future areas of investment mobility.

We are putting people. We are adding technology. We are investing in R&D. The more and more we start realizing the sales, similar example of iQube, there is demand. So the more and more we are able to deliver iQube, the more and more overall consolidated will go up. So that is the way we have to look at it.

**Moderator:** Thank you. We have the next question from the line of Chirag Shah from Nuvama. Please go ahead.

**Chirag Shah:** Yes. Sir, I had a question on the product and launches that you have planned last –

**Moderator:** Mr. Chirag Shah, there is a lot of disturbance coming from your line. We request you to please go on the handset mode and speak.

**Chirag Shah:** Yes. Sir, just a question on product launches. The last few years, you had a wonderful run. You have identified the product gaps very well. So from here on, given that you have plugged in a good amount of white spaces, how do you look at the product gap across spectrum, be it motorcycles, be it scooters, in terms of price point, in terms of engine sizes, if you could elaborate, it would be helpful?

**K. N. Radhakrishnan:** See, this is going to evolve. For example, when we came up with Ntorq, when we came up Jupiter 110, at that time, Jupiter 125 was not visible. But then we found that there are set of customers who wants to upgrade in Jupiter itself, so that is why the Jupiter 125 came. And Raider, all of you know that we never had a product in the 125 cc motorcycle, now that has come.

And Raider is a great product, not only for domestic market, international markets. And TVS Ronin, it is a completely, completely new product in the new area, and we have positioned it into a new category itself, and that is going to grow. So to me, I think keep constantly looking at the customer, customer segments and keep looking at what kind of opportunities are there and we are able to see the opportunities. I may not be able to give you exactly guidance which areas and what we are able to launch.

But going forward, still there are gaps, there are opportunities, white spaces and TVS will continue to invest, because our strength is understanding the customer, customer segments and delivering something which is really a super hit product.

**Chirag Shah:** And sir, just a follow-up question on the previous participant, on this losses in automotive subsidiaries, the way the segmental is classified. Just to understand that how do you look at it, there has to be some benchmark that you would have beyond which the quarterly reported losses at EBIT level shouldn't go up. So how do you look at it? Or any further segmentation you do that, what kind of losses are bearable or acceptable for you for next three year perspective? And what kind of losses is what we are keeping a track of very closely? Because this number seems to have gone up from INR 60-odd crores seasonality-wise we were INR 90 crores now.

**K. N. Radhakrishnan:** Yes. But please look at the revenue growth, you look at the overall EBITDA, overall way the PBT of the consolidated also going up. Losses, we don't look at these as losses, but these are the



investment. Like I said, whether it is Norton or any other company when you start, first is to get the product right and the revenue has to go up. That's why I gave the analogy of iQube. iQube development started long-long that.

Now we have three variants of iQube. We have demand for 25,000, but there is ramp up, what it goes to happening and good news is that our customers who are having 25,000 who are waiting for this product. The moment we give revenue, every other line comes down and it directly goes to the bottom line. So I think what is most important is we have to create customer delighting products, which we are good at, and we have to continuously make sure that we are able to deliver.

The moment you start delivering it, you will see the consolidated numbers becoming better and better. That is exactly what we look at. But some of the investments, what we have gone into the future mobility areas are for the future. They will start trustify the reserves into next two quarters to come, next four quarters to come. That's the way we look at it. See, if we never started TVS US or PT TVS Indonesia or even iQube, we will not be there today. So overall, I think that is the strategy the company has adopted, and we are very-very conscious when we look at which are the investments and which are the things where we have to look at how do we grow the business, we look at it, definitely, we look at it.

**Chirag Shah:** Sir, are you saying that some of the product development of TVS iQube was also sitting in this subsidiary? And that's why this number is looking higher. Is it the right way of looking at it?

**K. N. Radhakrishnan:** No. I gave only an analogy of iQube, I gave you on an analogy of only iQube. Every subsidiary has got their own product development, their own top line, their investments on people, investments on -- every elements of that. So that's separate. I gave you an analogy of iQube.

**Moderator:** Thank you. Due to paucity of time, that was the last question. I now hand it over to the management for closing comments.

**K. N. Radhakrishnan:** Thanks to -- first of all, sorry for some interruptions and sorry for the delay from our side in starting the call. I think we are pretty confident that with the kind of portfolio what we have today, starting from Apache, Jupiter, Jupiter 125, Raider, NATORQ, Radeon, TVS King and the recently launched TVS Ronin and iQube. What is most important we are able to see the customers are extremely happy on our products.

The semiconductor situation and thanks to the semiconductor suppliers, they are also now understanding and supporting us month-after-month. With these two, we are pretty confident, even though there are some challenges in the international market because of the economic conditions, we will grow ahead of the industry, both in customer retail, in Vahan share and also the dispatch share.

And we are confident that as a consolidator, we will move EBITDA quarter-after-quarter and standalone with the operating leverage, premiumization, continued cost reductions, we will do better than the industry, and we will continue to delight all of our stakeholders and customers. Thank you. Thank you for your interest in this call.



*TVS Motor Company Limited  
November 04, 2022*

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