



UBS - Paris Mobility Conference - Investor Days | UBS | December 8, 2022

Esther:

This meeting will now be recorded and now we are live.

Pramod Kumar:

Thanks a lot. Thanks, Esther. Good morning. Good afternoon everyone. On behalf of UBS, I welcome you all to the Paris Global Mobility Conference, which we are doing a virtual meeting here. We have with us the management of TVS Motor, which is represented by Mr. K.N. Radhakrishnan, president and CEO, and Mr. K. Gopala Desikan, chief financial officer and also the group chief financial officer as well for TVS Motor group companies. The session is for 45 minutes. We will start with brief opening remarks from the management, which will be followed by a Q&A session. And given that this call is for the benefit of the clients, would request all of you to use the raise hand option to ask the question, and identify yourself and your firm before you ask the question to the management. So with that, I hand over the floor to Mr. Radhakrishnan. Over to you, sir.

K.N. Radhakrishnan:

Morning and good afternoon. I don't know which part of the world all of you are. I have joined from Bangalore and my colleague Gopala Desikan has joined from Chennai. And it is 01:30 here, 01:35 here, in the afternoon. All of you know about TVS Motor. If anybody doesn't know about TVS Motor, then I will spend some time at the [inaudible] we'll go to Q&A, because we have only 45 minutes.

Pramod Kumar:

So I think a brief remark, five minutes, and I think that will be great. Yeah.

K.N. Radhakrishnan:

Okay. TVS is, in the two-wheeler category, one amongst the top five companies in the world in terms of the market share. We have an excellent product range starting from the moped to RR 310, and recently we have also launched the electric iQube, which is doing extremely well in India. Of course this is available only in India, in about 130 cities/towns. And, as we speak, last month we did more than 10,000 numbers. It's a scooter, and we are planning to take it to much, much higher levels going forward by March, 2023.

We did the 10,000 numbers last month. On an average we do about 300,000 per month. We have a market share in [inaudible] of about 16.5% in India, and we have almost 24% market share in the

international market, where we are present currently in all the developing economies. On three-wheeler, this is also another portfolio we have in the international market. We have almost 40% market share. Domestic, we have close to 10% market share. The strength of TVS Motor is we have a very strong design and development group, and we invest behind that. There are very many brands which are successful in the last few years. When I look at it, we have Apache in the premium category, then Raider in the 125cc category, then Star entry level, economy motorcycles. Then, in the international market, we have [inaudible] in the taxi market, then three-wheeler, King. On the scooter side we have TVS Jupiter, we have TVS NTORQ. Even in Jupiter itself we have a 110 and have recently launched a 125cc.

This is from India, and then we have products from Indonesia, which is a Skubeck and a Bebek. There are two Bebeks, which are NEO and Rockz. And Bebek is [inaudible], we sell it in Indonesia and also export in many markets.

The strength of TVS is the focus is always on the customer, and depending upon the market, depending upon the customer requirements and segment, we invest in designing and developing. And most importantly, in J.D. Power, all of you know about J.D. Power, we have been number one in [inaudible] quality and attractive quality and also service to the dealers. So this is the broad brief so that we can get into the Q&A.

Pramod Kumar:

Thanks a lot for that, sir. I think we will now start the Q&A session. So would request participants to ask the question to Mr. Radhakrishnan and Mr. Desikan.

Yeah, so... Participants, you can use the raise hand option on the Zoom app. Yeah, we have the first question from Mr. Arjun Tandon from Matsya Cap. Arjun, please go ahead.

Arjun Tandon:

Yeah. Hi, very good afternoon, and thank you for taking out the time for this meeting. Just a question on EVs. I wanted to know how many EVs do you have planned to launch in the next calendar year?

K.N. Radhakrishnan:

See, I can give you... Currently, we started off with iQube, the base version. Now we have two more versions which we have launched recently. As I said, last month we did 10,000 numbers. And we are now having, as I speak, we have more than 25,000 booking. Actually we have put a cap of 25,000 because, when the customers books it, he will agree for a delivery date of up to even three months. But the moment he books it, he wants it on the same day. So we are now looking at ramping it to the next level where internal target is, by March, delivering this 25,000 into the market.

That will be a big, big change, because if I look at 25,000... Scooters, today, the industry of scooters on an average in India is about 500,000. I'm just rounding off to the next number, it is about 470,000 or so per month. And already, EV is clocking, the medium speed is clocking, around 45,000. Okay, 45 to 50,000 average. So almost 10% of the industry is EV, and in that we are 20% market share. And we want now that to move to almost 25,000 by March.

The most important thing is customers love our product. iQube, they really, really love our product, and that is the biggest reason for the success. Now, when we look at our scooters... I can only give you an analogy, I don't want to give the exact number, how many products we are planning to launch. In the next 12 quarters, we are focusing on all segments. What are the segments available for? In the example in the I segment, there is an entry level scooter. Then there is a Jupiter, there is a Jupiter 110, there is a

Jupiter 125, then it's an NTORQ, which is a 125. So please understand there is a ladder of commuting scooter to young and a premium scooter. This is something which goes up.

Same way, if I look at a premium motorcycle. We have Apache at 160cc, which is a 12. Then there is a 164, then there is a 180, then there is a 200, then there is a 310. So there are segments available. Each of the segments we are planning to enter in the next 12 quarters. That is our plan.

And most importantly, the design and development of... whether it is battery management system or controllers or VCUs, these are all internally designed. And we partner with some of the suppliers, some we make, some we buy. So that is the kind of arrangement we have. We believe in completely, completely. That's why I said our strength is looking at the customer segment and the usage, and also investing in the complete in-house design and development. I hope I have answered your, Arjun.

Arjun Tandon:

No, that's very helpful. So thank you so much. My second question was, so what kind of battery supply arrangements have you entered? Who are your battery partners and what type of gigawatt hour capacity have you locked in?

K.N. Radhakrishnan:

Today we are importing it, and we have a very good supplier with whom we have a good partnership. I may not be able to give you more details because these are very, very strategic in nature, but anybody whom we associate will be high quality and high safety. And for other volumes and this one, we have to now look at mini suppliers. I'm not talking about cell. Cell, depending upon the capacity and the kind of arrangement, we will keep discussions on strategy area. But one good thing is 10,000 has happened thanks to them, and now they are focusing on delivering 25,000. And soon we are also looking at an EV three-wheeler. So this requires our own battery management system and the suppliers are definitely supporting. It is not only the cell supplier, also we have to look at the other semiconductor suppliers in this area and they're all automotive range. So I think it's an integrated effort from many suppliers globally.

Arjun Tandon:

Understood. Thank you, sir. I'll come back [inaudible]

K.N. Radhakrishnan:

Thank you.

Pramod Kumar:

Thanks a lot. Thanks a lot, Arjun. We have Utkarsh next. Utkarsh, please go ahead.

Utkarsh Mehrotra:

Thanks to the management for sparing the time. Just a few questions from my end as well. Let me start out with EVs. So how are you thinking about margins in that space? If you could just clarify what are the current EBITDA level margins or EBIT level margins that you're making on the EV business? And as we ramp up the volumes to, let's say, 25,000 a month, how much of a headwind could this be to our overall margins, if any?

K.N. Radhakrishnan:

First of all, I cannot give you any guidance on the margins, but I can tell you that we are positive, positive. When we started it was negative. Now it has come to positive.

For me, it is like any other investment. For example, we invested in our Indonesia PT TVS. I think in the first few years we made loss, huge losses. But in the last three years, thanks to the investment and our maturity to stand the pressure, today we are now coming to almost 10,000 per month on two-wheelers and 2,500 on three-wheelers. So EV is going to be exactly like that.

Most important thing is you have to build the top line. For building the top line, you need products, you need to segmentize products, and there has to be a very good appreciation from the consumers. That is why we have 25,000 booking. And please understand, with EV, there is a great opportunity to start giving it to the developing markets where we are exporting currently. Also developed markets, including Europe. Europe, and many markets, because overseas in our products, there is a great opportunity. And all of you know that when you go to the exports, the pricing opportunity, and also develop markets, better pricing opportunity.

So EVs, first is volume. When the top line happens, every line happens. Okay. For example, when 10,000 goes to 25,000. Absolutely, you are right. We'll have scale benefits. We will have more and more opportunity to look at suppliers. As you know, there are opportunities in terms of, instead of just one supplier, you can always induct one more supplier. And it is very, very important when you have that kind of

K.N. Radhakrishnan:

Our first two focus is to customer delighting products, deliver that, grow the volume disproportionately on the top line. And then start looking at what all things we can do in every line. And I can give you an analogy, the same analogy we'll be using even in the electric.

When we started Jupiter ICE we had only one base model. Then we looked at the customer and the customer requirements. And because always there is some, when you talk about a sales marketing department, they will say that, "No, no it should be competitive enough with the competition products."

We gave a product the Jupiter base model along with Activa. General sales Activa is the most important selling model. Then we felt that there are a set of customers who really want lot of features, lot of new technology. Then we give as an ex-model in Jupiter. Then we give a grander model in Jupiter. And recently we have launched connected the cluster model in Jupiter. And each one is much, much higher priced, much better contribution.

And I can tell you more than 50% of the sales happen from these models which are higher variants which are priced higher. Similar strategy you will see already iQube, there are three variants now we are launching. What happens is India has got a set of customers and we have a very strong retail financing arm.

When somebody comes in and he looks at the product and say, "Oh, this is Jupiter's index model or a grander model or classic model." He says, "Oh, per month it is only another 100 rupees." He immediately migrates from a base model to that model. Similar strategies we will be using between varying with this limited editions and giving.

Recently we gave model with a completely voice assist and talk, doing extremely well. And if I look at Apache, we have given ride modes which are there or GTT which are there in the 100,000 cc and 1,200 cc. And all of these are priced high and good margins. And there are customers who really want to buy this. This strategy, even the we space will continue.

Utkarsh Mehrotra:

Got it, sir. Very clear. Sir, just to clarify, so your contribution margin positive but just if I take the overheads, et cetera. Basically, what I'm trying to get at is that if I look at the overall company margins over the next few years, do you think that what we have seen previously in terms of the expansion and then now further we go to 11, 12%? Or right, now we like to invest on the EV side first. And then to your point, get this done on the top line side and keep our margins where we are at because of the dilution impact from the EV?

K.N. Radhakrishnan:

See, last three years you look at the related performance TVA versus our competitors. I completely agree that our margins are the lowest, in EBITDA margins are the lowest. But from 7% inhibitor, our last quarter we were at 10.2%. And we have done it by continuously growing faster than the industry thanks to the customer delight on our products. And we have invested behind excellent new models.

Today, there are plenty of brands which are super hits. When I say super hits, those brands which are selling more than 25,000 per month. Including the recently launched Raider and Jupiter 125. What is most important is you have to get super hit brands, invest always in the new products and new technologies and features and areas. Invest in EV. Okay, this is something we will continue. And grow the top line ahead of the industry.

And one more most important thing, we are not giving any credit, neither in domestic. Earlier we used to give huge credit in the domestic system. Today, we have less than 30 days of stock with the dealers and they bring money. What happens is, when you don't give your money, the full system works. They will buy only what is required and what colors, what models. And what happens is we want the customers to get fresh products, really, really fresh products. If somebody keeps three months, computer got interest on the credit, whatever there. But ultimately, whatever is wanted by the dealer, not wanted by the dealer gets into the dealership. We always believe in a very systematic pool from the channel and getting the customer the best, customer the latest. Ideally, if you ask me, they should be able to get it within a day or two from the production date. But that is not easy because there are transit times and logistics and all that.

30 days is a very good period. Lot of new ways of working in the customer satisfaction area we have done in a pool system and dealers have to focus on that. And like I said, excellence in customer experience, customer care. That is why the JD Power has given us number one for several years.

Now, coming back to the margin, the moment you see topline growing, we have very clearly three strategies. One is the product mix, premium products, for example, Ntorq plus you have the Raider and you have the series of Apache. I think the proportion quarter after quarter is going up. And also the variants are going up. On one strategy is very clearly looking at premium products and the proportion going up.

Second is exports. You look at our exports. Okay. Now even though there are industry challenges, our retails are always ahead of our dispatch. We always look at this stock levels, retail going up, moderate the supplies. Never, never the customer gets a problem. And I'm pretty confident that the kind of range, what we have, the customers are delighted and we are able to grow ahead of the industry.

Now coming back to the cost side, the moment you are able to grow the volume, we can always get a second supplier, third supplier. And we used to import, I remember there was a period we used to import almost 22%. Now, our import has come down less than 5%. Localize, localize. Quite a lot of things are localized and it definitely supports us.

And common platforms, a huge focus on common platforms. The themes on material cost reduction, product mix, premiumization. And making sure that we invest without compromising on investing in new product, new technology and the brand. That is exactly what we have done and that is giving us huge benefits. And I am pretty confident that you'll see, I can again give you a guidance on our EBITDA journey. You look at the last six quarters, I think that will tell you that consistently we believe in sustain and consistent growth in the EBITDA.

Utkarsh Mehrotra:

Got it. Just last one for me. In terms of the EV side, again, if I look at the investments required in technology and a lot of things. You previously also said that you'd be willing for partners to come in both from a strategic financial standpoint. Where are we in that journey? How are you thinking about it? Would you like to keep majority of that business given its importance? Just those two, three points if you could just touch upon

K.N. Radhakrishnan:

Yes. Again, you want to talk?

K Gopala Desikan:

Sure. See, still we are evaluating all options. Not that we have zeroed in on one direction. We are in a very advanced stage. We will come back to you with all your questions very soon. But at this point of time, we are evaluating all options.

Utkarsh Mehrotra:

Got it. Thank you.

Pramod Kumar:

Thanks. Yeah, thanks. Thanks, Utkarsh. Next we have Sreeram. And again a gentle reminder, anyone who wants to ask a question, please use the raise hand option. Thank you. Sreeram, go to you.

Arjun Tandon:

Thank you, Pramod. Hello, sir. It's good to meet you again. A few questions. One, in the EV scooter space as of now, even with probably the best product in the market, a single digit market share. From your perch, how do you see this industry evolving in let's say four to five years when it matures? Is it likely to be as concentrated as most of the products in India are today? From a market share perspective, how do you see them? That's question number one.

K.N. Radhakrishnan:

Sreeram, I'm a firm believer that EV transition is there to stay in India because I think the consumers, my experience so far, now we have almost sold more than 66, 70,000 numbers of EV. What I see the profile of the customers, they are willing to look at a new technology, a new way of looking at green. This technology will stay there.

But what is most important according to me is consumers choose. There are positives in ICE. They don't want to, for example, I can give you iQube. Whichever customer whom I have met, they say that, "It is a Jupiter. It gives me all the benefits of two plus two. Me, my wife and my two kids. And I can carry certain

bags and I can go good road, bad road, any flyover, rain, dusty, absolutely no problem. In addition, it's completely connected. It has got all the smart features of a smartphone."

I think consumers, if you're able to connect with the consumers and give something which is liked by them, I think they will immediately migrate. And there is a definitely full credit to the government. There are a lot of support in FAME and GST that is definitely is going to enable this transition. Okay.

I think EV is good. And I may not be able to put a number to it. I think it is for us in TVS Motor, the way we are looking at is next 12 quarters, we should be presented every segment. And we should embrace the change proactively, not wait for somebody to come in and then start thinking. And that is the reason we are invested.

Anyway, on the ICE side, we have a very good range and we are very good team. Now we are building a very strong team for EV. See, some of you, if you are happen to visit Bangalore or Mysore, kindly let us know. We can take you around and say the kind of products and the investments what we make.

Arjun Tandon:

Got it. No, I know you don't guide on these things. But the question was, is it possible for you to get to a 20% market share in EV scooters? Is that something that you think is realistically possible over a three, four year timeframe?

K.N. Radhakrishnan:

I don't want to comment anything on that. But all that, what I can tell you is by March, I want to achieve 25,000. 25,000 will be much more than whatever you said at that time.

Arjun Tandon:

Fair enough. Fair enough.

K.N. Radhakrishnan:

Both of us are going to be here, Sreeram.

Arjun Tandon:

Of course.

K.N. Radhakrishnan:

I'm going to be here and you can always connect me end of March and say, "Kainar, you told me 25,000. Is 25,000 happening?" Let us look at it. And I don't think the industry is suddenly going to change because consumers are very selective. They want something which is usable for at least three, four years, Sreeram. It is not that they buy it today and change it tomorrow. These are some of them are very important investments in their life.

K.N. Radhakrishnan:

Okay. Some of them, yeah, they are techy, they want to try something new. So that's why I said our objective is EV we see as a great opportunity to seize not only in India, not only in the developing economies where we are exporting today, also enter into many developed economies like Europe or US or Japan or any other part of the world.

Arjun Tandon:

Got it. I think in response to Arjun's question earlier, you mentioned that you're already profitable for the EV scooter business. I'm assuming you meant at a growth profit level, right? Not an EBITDA level.

K.N. Radhakrishnan:

I don't want to get into that debate again. I gave a very simple thing, saying that I am positive in my contribution.

Arjun Tandon:

Contribution. Right. Got it. Got it.

K.N. Radhakrishnan:

Okay? I don't want to mix it and ... Please understand, we are a company ... I always tell this to Pramod ... we invest today. Because we have been patiently investing and standing in the crease, even in a 20/20 match, if the batsman waits for the right ball to hit, the right ball will come [foreign language].

Arjun Tandon:

No, no, absolutely. And I completely understand the waiting culture of the firm.

K.N. Radhakrishnan:

Yeah, so TVSCS, when we started, many people used to ask me, but today, it's a 20,000+ book size and it's the most profitable and also respected financing company. We started 100% with the two-wheelers. Now, the two-wheeler dependence is less than 40%. Correct, Desikan? Ah, you're muted, Desikan.

K Gopala Desikan:

You're right. Yes, you're right. You're right.

K.N. Radhakrishnan:

Same way PT TVS, we will get there. And the last three years we are profitable, and I can tell you we will disproportionately grow now. So even EV space I look at as an investment for future. So you invest, you stay there, you stay calm, and do the right things with the right mindset. That's why I said I don't want to give credit and give three months' stock, I want to keep only 30 days' stock so that the customer gets the best. So that's the fundamental principles we work on. Okay? And those principles will never change. Customer, customer, customer.

Arjun Tandon:

Absolutely. No, I understand that.

K.N. Radhakrishnan:

And to me, profit is a ... without top-line, there is no line.

Arjun Tandon:

No, fair enough. I completely understand that, really. I know that as a firm, the culture is not looking at short-term profitability but focused on longer term. What I was wanting to understand is have you now started talking about when that EV business gets EBITDA breakeven and sort of, what sort of-

K.N. Radhakrishnan:

Internally, the day in and day out, we discuss that. But I want to say that first to get the iQube kinds of super hit brands built, okay? And you need to have at least four, five brands which are there in the next 12 quarters, like Apache or Jupiter or Ntorq or Raider or StaR group or HLX or ... So you build some five, six brands which are strong, and in the EV space, the positive thing about the EV space is these products can get into ... Okay, let me delight all of you. The next product, the cool bike with the partnership of BMW is completely designed by us, and it is going to be an EV. And it is for the global market.

Arjun Tandon:

Understood. Have you spoken about the launch time length for the low-speed EV scooter? Is that any time soon?

K.N. Radhakrishnan:

See, closer to launch I'll give you exact details, okay?

Arjun Tandon:

Okay, fine. Fine. No worries. Pramod, I'll keep going unless someone else has a question. Please stop me if I-

Pramod Kumar:

Sure, sure, sure. Yeah, yeah, till we see the next raised hand, you can continue, Sreeram. No problems.

Arjun Tandon:

Fair enough. K.N., when do you think you can start looking at exporting your EV products? Look, it's a less or underappreciated facet of period is how well you get them done in the export market, right? So at some point, I'm expecting and hoping that you'll start exporting the iQube as well, but is there-

K.N. Radhakrishnan:

You're absolutely right. There is a huge pressure from many of the distributors to give them this product, but when I have 25,000 booking and I'm able to give only 10,000, maybe this month little better and ramping up to 25,000 by March, and we are present only 30% of the market even in India, so ... But I will not wait only for India to be fulfilled fully. I think we will start soon. But I'm very, very sensitive with customer booking. I always say that when the customer has booked something, we have to honor it. Otherwise, it's also a customer dissatisfaction, you know?

So it's a balanced game. If you ask me, I wanted to do it yesterday, but the support from our supply chain people and our ability to ramp up to the volumes, that is what the constant challenge and the dilemma. But the good thing is, this 10,000, whatever I have been talking, at least I was trying to do it in September, October, it did not happen, but November it happened. So it's giving more confidence now. Because once you cross 10, then go cross 15, then 25, definitely, definitely, this is something we want to focus and drive.

Arjun Tandon:

Understood. Is it safe to say that based on current discussions you are having internally, there is already a demand for that product in export market, just that you don't have enough supply to satisfy that? Which is [inaudible]-

K.N. Radhakrishnan:

Absolutely. Absolutely. Absolutely. But only thing is you know us pretty well. See, whichever market you do, there may be some certain variants they allow it, certain features they allow it, so we may have to do some modification, but may not be the modification in the platform, but some design elements we have to look at it; certain features we have to look at it. Such modifications might happen.

Arjun Tandon:

Last two questions. What was the last sort of three or four years, given whatever has happened on the cost side, whether it's raw material cost, whether it's regulatory cost? If you had asked me at that point, saying, "Hey, this sort of cost increases will come over the next four years, where do you think margins for auto players will be?" I would have said, "Hey, it's all going to come down." Right? But I think as an industry, and you in particular, have done fantastically well, not only on a percentage margin basis but also on a per vehicle number. Right? And you're far ahead of industry.

Given this, if these costs start tapering down over the next two, three years, how do you expect your competitive reaction to that? I know, as a practice, OEMs in general do not cut headline prices because it has resale price implications. How could one think about margins in a falling cost environment?

K.N. Radhakrishnan:

See, I assure you, we won't look at discounting. Okay? Because the moment you get into discounting, what you've said is absolutely right, my existing customers feel cheated. Okay? He always say that if I wait for longer time, I can get ... I'm not talking about half a kg of sweet given or sometimes they give, in a season time, maybe a half-face helmet free. I'm not talking about that. I'm talking about literally the price coming down. Okay?

I'm a firm believer that there are retail finance schemes which are available with down payment and EMI. Even there, we are very clear. You don't give it to any type of customers; give it to quality customers. When I say quality customers, you ask Desikan, he will tell you, our delinquencies are less than 3%, Desikan?

K Gopala Desikan:

You're right.

K.N. Radhakrishnan:

Yeah. So to me, the quality of customer and the quality of the resale price is very, very important. Why do I say that? Because more than 50% of the customers use this as the down payment when they buy after three years or four years. Very, very, important. Okay?

Number two, even when we all wanted the cost to come down, disproportionately, but please understand this is a cycle we have seen. Okay? For example, now we went through the lockdown. Then suddenly the lockdown got released and we were all happy. Suddenly there is an inflationary pressure because of the war. So I have always seen there are planned headwinds, unplanned headwinds. Okay? So this is life.

Third, I think the most important thing we have to give is give better and better value to the customer. Technology to the customer. Features to the customer. That will enhance your pricing power. Okay?

And growing volumes will always help you to build your EBITDA margins, both in percentage terms and also in absolute terms. So I'm a firm believer that ... And we have to invest. We have to invest. For example, EV, we are disproportionately adding the software engineers, the analytics and digital team, which was not kind of numbers we had in the past. Okay? So disproportionately we are adding that. And that is the space for the future.

And some of the things even, what we are trying to do in the EV space, will be applicable in some of the [inaudible] products. So I think these investments, one, your overall top-line will grow disproportionately. The cost will get amortized; I'm very sure you will have seen our marketing costs. When the brands become stronger and stronger, your costs get amortized over a larger revenue figure, so the percentages will come down.

So overall, the strategy is sustained grow the EBITDA. First to come to double digit, now next step we have taken and we will continuously do that. But we will never compromise building a brand, investing behind a brand, or investing in technology. Never. Good times, bad times, immaterial. Customer, technology, brand: these are here to stay, and you need to invest. We never look at this as a cost. We look at this as an investment. And EV business, I am very sure, like a TVSCS or PT TVS, this is an investment for ... proactive investment, let me put it that way ... for the future, which is going to take this company to even developed markets.

Arjun Tandon:

Fair enough. And last question, before I let Utkarsh go, any plans on leveraging the Norton acquisition to introduce products in India from that stable? That's the last question.

K.N. Radhakrishnan:

Surely. Surely, surely, surely. Because first is to leverage the Norton brand in many of the developed markets because there is a huge positivity about that. Once you have the brand and ... You would have definitely seen and liked the Ronin, so this is the first new category what we are entering into. The good thing is already we have sold 10,000 bikes. There are 10,000 proud customers in the last three months. So I'm excited about it. Like Apache brand how we built, Ronin is another full category which is getting built. So I'm very sure India ... I think next 50 years or 100 years belongs to India. That is the way I look at it. They have the right demographics, they have got the right population, there is a lot of investment happening in the infrastructure. And even a small percentage, 0.1% of the premium multiplies into the population, it's a huge number. Huge means huge number. So definitely we cannot ignore, even with the Norton brand, India.

Arjun Tandon:

Fair enough. Thank you so much, K.N; our pleasure as always. Thanks.

K.N. Radhakrishnan:

Thank you. Thank you.

Pramod Kumar:

Thanks, Sreeram. Utkarsh ...

Utkarsh Mehrotra:

Thanks again, sir, for the opportunity. Just to the earlier question, right? I wanted to ask you now that we have a lot of platforms, even with the [inaudible], we have done a reasonably good job with

Utkarsh Mehrotra:

With the Raider, with the Ronin, like you said. And then scooters we keep on launching and we have mopeds and then now we have EV as well, which will launch multiple products. So, how should we think about the platforms and the fungibility? Because you would notice better in this business the lesser number of platforms the better it is, so how should we think about that angle?

K.N. Radhakrishnan:

Absolutely. I think when the volumes start growing, that is a time to look at having common platforms. I think that gives a huge benefit, a huge benefit to the company and to even the supply chain and for even the service. And always we people talk about part count, part count is very, very critical when it comes to the end-to-end supply chain and indirect costs of managing the number of parts. So, this is one of the key points, what we always look at inside the company. But for that, the most important is disproportionately growing the volume. And it has started, for example, if you recollect there was a brand Wego, which was doing extremely well in Sri Lanka, Bangladesh and some other markets, which Sri Lanka is not there, no, Iran is not there. But the platform is common with the completely Jupiter. So, you understand what I'm saying?

So, everything is the same, only the outside appearance of the design is different, and this principle we will definitely use. For example, now you look at Sports City and Radion, same platform, okay? The entire Achilles series is 100, 125, 150 cc, common platform. So platforms are very, very important and we have to commonalize as much as possible and it just comes over a period of time how we can leverage it. This one for example, Radar is the first to model, we had a global launch. So, of course India is BS6 and many countries are different BSL levels, but it's a common platform. So, I think this is something which is going to definitely cut down the complexity, it is going to cut down the cost, it is going to increase the speed and agility of the company.

Utkarsh Mehrotra:

Got it. So just last one for me, in terms of the exports business and talking about the ICE business, some of your competitors are flagging some weakness in certain markets, etc., but your numbers are obviously better than them and previously also you've been gaining share in almost all the geographies. So how should we look at it? Is the low hanging fruits on distribution and gaining share done, or is there more scope, and how's the outlook of the exports business in particularly the affected geographies?

K.N. Radhakrishnan:

Huge opportunities, huge opportunities I can give you. But most importantly, one thing we are very conscious is always the customer retailer is head of the dispatch from India. If you recollect, I think it was September, we were 66,000, last month I think we were 72,000. You'll see every month going up but I can tell you my retails are far, far ahead. So to me, the stock with the distributor, the stock we cannot pump and pump and pump because it will affect the stock levels at the distributor level and the customer will not get a fresh vehicle. So, I'm coming from the customer side, customers should always get a very, very fresh vehicle. So, we always look at country by country, model by model, even if it is giving you some pain. Okay?

Now my retails are picking up, I'm gaining in retail, I'm also gaining in dispatch because it's sustainable. Even in India you can visit any of our dealers. I think March 2020, just before lockdown was announced, that is the time we said let's pull out all the credit, that there'll be a cash and carry model in domestic market. It was a very difficult decision because when you give credit, you can push what you want, not necessarily what the customer wants or the dealer wants. Okay? Today when a dealer brings in money, they will take only what they want, what the customer wants. But ultimately you will not have any customer issues because customer gets what color they want, what model they want, and relatively very, very fresh. Those are the principles, and in the international market, I feel there is a huge opportunity for TVS because we have the best range, including Indonesia Ferrari, there is a huge opportunity to invest. I think the journey is just bigger, I'll put it that way.

Utkarsh Mehrotra:

Thank you.

Pramod Kumar:

I think I'm mindful of time, but just wanted to take up the discussion on the domestic demand scenario sir, because there is a lot of optimism. A lot of this is coming from the [inaudible] retail data and the festive season, and saying that rural is coming back in a big way, led by a 100 cc category. So, what is your read on that and was there other factors which resulted in the sharp spike in retail, and if you look at VAHAN data for the last couple of weeks, the numbers are cooling off, numbers are cooling off very rapidly. So, if we just make some quick comment whether we have turned a leaf on the rural side and it's going to be a sharp comeback on the rural demand side going in to next year, especially for a 100 cc?

K.N. Radhakrishnan:

The rural is according to me post, I would say 2022 January, the COVID situation and the hospitalization the worries are now slowly, slowly, slowly getting mitigated. I think for [inaudible] season and Diwali season practically there are no hospitalizations. Even when I speak I don't see anybody getting affected and getting into ICU or ventilator. I think that fear is gone and the vaccination drives and other things are definitely helping.

Now why is it important? Because rural was most affected. Now the moment this was opened, I think slowly now we are able to see. Rural, there are 60% or so is self-employed, they earn every day. All my moped customers are utility customers, they earn every day \$2, \$3, \$5. They carry milk, they carry goats, they sell apples, oranges, whatever I think they do. And many are self-employed like plumber, electrician, they go house to house and do and then earn. I think that activity is back, which is very, very positive, number one.

Number two, India, definitely public transport is very poor. A lot of investments have been made in infrastructure today and I travel by road quite a lot. Now, even in the rural area there are a lot of effort in connecting and people really want to be mobile and that visibility is there, this is number two. When they're mobile it means they need two wheelers. Okay?

So far, if I look at last 12 quarters, again, I don't want to repeat, which I always believe in, 45% is the price increases. Of course, it is BS6, of course it is got the EFI technology, it has got everything. But I don't think consumers ability of income earning has gone up by 45%. Now the confidence has come from the people side that the income is going to be continuous. I think the basic hygiene factors are taken care, the medical worries are not there. So, I'm very positive over 2023. Going forward you will see, and we have seen that in our TVS, if the delinquencies are not there practically that means people have ability, they're paying back on time, the things are coming back in a big way. And in my opinion,

India has got the greatest opportunity, the demography, the profile of the people, the mobility needs. I'm a firm believer that at some point in time you should start seeing the 10% CAGR happening in the rural side.

Pramod Kumar:

No, that's great to hear. Sreeram, I think you did mention about TVS credit and I just want to touch base on that business in terms of, you've stated your intent publicly earlier that you would like to bring in financial investors in this company for the first time. So far it's entirely captively funded from TVS Motors cash flow. So, just any update there which you can share sir, and what would that mean for TVS' incremental investment run rate and also the value unlocking what one should expect from such a transaction, sir?

Sreeram Viswamani:

That's too early to comment on that now, still we are discussing. The fact is, yes, we have engaged a banker and if everything goes well, probably in the next 30 to 45 days we'll come out with a clear proposal on that. Till such time TVS investment for maintaining the business related reasons we will be investing.

Pramod Kumar:

Sounds great sir. And I think we overshot on the time side, so I would like to thank you both for taking time out and spending time with the investors and also would like to thank all the participants and my colleagues from Europe for taking time out and being on this call. Wish you all a great day. Stay safe. Take care. Thank you.

K.N. Radhakrishnan:

Thank you so much.

Sreeram Viswamani:

Thank you very much. Bye.