



“TVS Motor Company Limited
Q1 FY '24 Post Results Conference Call”

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MANAGEMENT: **MR. K. N. RADHAKRISHNAN – DIRECTOR AND CHIEF
EXECUTIVE OFFICER**
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MODERATOR: **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI
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Moderator: Ladies and gentlemen, good day, and welcome to the TVS Motor Company Limited Q1 FY '24 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Thank you, Darwin. On behalf of B&K Securities, welcome to TVS Motor Company, 1Q FY '24 Post Result Conference Call. From TVS Motor management, we have with us today, Mr. K. N. Radhakrishnan, Director, and Chief Executive Officer; Mr. K. Gopala Desikan, Chief Financial Officer. Mr. K. N. Radhakrishnan will make the opening remarks on the results and the business outlook to be followed by question-and-answer session. Over to you, sir.

K. N Radhakrishnan: Good evening, everyone, and thanks for joining us today. This quarter, company continued its profit growth trajectory and posted its highest EBITDA and profit. This was possible through the continued improvement in market share, sustained cost reduction initiatives despite a few challenges in the international market.

Let me give you more details about the first quarter of this financial year. During the quarter, company's operating revenue grew by 20% at INR7,218 crores. That's against the INR6,009 crores during last year first quarter. Two-wheeler domestic ICE sales grew by 23% compared to Q1 of last year against the industry growth of 10%. Two-wheeler international market industry declined by 31% compared to Q1 of last year. Month after month, we are witnessing improvement in the customer retail and we are expecting, this will be seen in the dispatches going forward.

The total two-wheeler ICE sales grew by 3% compared to Q1 of last year against the industry growth of 0.5%. We are ahead of the industry. EV two-wheeler sales during this quarter, it's 39,000 units as against 9,000 units of Q1 last year. The total sales of three-wheeler is at 0.35 lakhs. On profit during this quarter, the company registered highest ever operating EBITDA of INR 764 crores at a 27% growth as against last year's EBITDA of INR 599 crores of last year Q1. The company's operating EBITDA margin is at 10.6% as against 10% during Q1 of last year. The company posted its highest ever profit before tax of INR 610 crores, recording a growth of 41% during this quarter as against the INR432 crores in the first quarter of last year. The PBT for this quarter includes INR 55.6 crores towards profit on sale of investments.

Profit after tax grew by 46%, INR 468 crores as against INR 321 crores during the first quarter of last year.

TVS Credit, the book size is continuing to grow, and this is presently around INR 22,000 crores. Its portfolio is well diversified, covering tractors, used vehicles, consumer durables, MSME besides the two-wheeler. The PBT for this quarter is INR 157 crores as against last year's INR 111 crores.

TVS Credit has entered into an agreement with PI for capital infusion of INR 480 crores into the company. This is subject to regulatory approval. TVSM holding in TVS Credit post infusion of capital by PI will be around 81%.

On EV, TVS iQube continues to receive very positive customer feedback across all markets and continues to improve sales and market position consistently over the last four quarters. April '23, company implemented the AIS-156 Phase 2 norms.

Production of April 2023 was a little constrained due to this changeover. And we also had some supply chain challenges. Further, all of you know that FAME reduction from 1st of June affected the industry penetration. Post FAME reduction, customer prices have increased partially while the company is absorbing the balance. While there are many short-term challenges in EV penetration due to the reduction in FAME incentives in the medium to long term, industry will continue to grow. We are ramping up iQube production, and we are confident of reaching the 25,000 in the month of August.

Booking continues to be healthy for TVS iQube. We are expanding availability of TVS iQube in India. We have added 74 more touch points last month, and we are now at almost 309 touch points, and this will grow to almost 600 touch points by end of this year.

During Q1, we have also started selling iQube in international markets. We dispatched iQube to Nepal first. It has started retailing. And as highlighted, we will further expand this with many more international markets this year.

As informed earlier, we will be launching a series of products in the range of 5 kilowatts to 25 kilowatts. You will see some of the launches in this quarter itself. EV three-wheeler is getting ready and will be launched in the upcoming quarters. And all of you know that BMW unveiled their latest EV product, CE 02. A new kind of mobility that provides great riding fun for youngsters in the urban and non-urban. The product platform was designed, developed, and manufactured by TVS for world-wide sales working jointly with BMW.

As highlighted earlier, in addition to the product, TVS is investing progressively in the ecosystem. As you know, during this quarter, in the space of last-mile delivery, we added strategic partnership with Zomato to deploy 10,000 TVS electric scooters over a course of next two years. All of you know that we are already having partnership with Swiggy, Amazon, Rapido and other few that we have already started.

These vehicles will contribute towards revolutionizing the last-mile delivery, enabling reduction of carbon footprint for our partners. We are continuing to invest in improving charging access for TVS EV. Our customers presently have access to 2,000-plus charging points with various charging partners through TVS iQube mobile app.

In the last couple of years, with the efforts from both, government and private players, infrastructure availability is continuing to improve for EV vehicles. I'm confident with growing EV ecosystem, safe, reliable, superior quality product, technology advancement, EV products will deliver growth. With the product line-up planned from TVS, we are confident that we will be a strong player in the EV segment going forward.

When we look at Q2 '23- '24, the improving road infrastructure and economic development with our current mass transit systems would drive the demand for mobility for masses. The growing masses with the young demography will support sustained industry growth. All of you know that the mobility demand is best served by the two-wheeler category.

All of us know that there was a delayed start of monsoon, which was a big worry. But the current prognosis is likely to be normal. However, there is a challenge of uneven distribution is a concern. Government support on increased MSP will definitely help in higher realization to the farmers. We expect industry given the kind of monsoon improvement, I think, should be moderate in the rural growth. Urban looks promising.

In the international business, Q1, we witnessed growth in retail over last year Q4, and we expect recovery going forward from Q2. From H2 onwards, we expect many markets will come back to normalcy. And given our product range, we are pretty confident that we will continue to grow ahead of the industry in IB.

The customers of TVS Raider, TVS Jupiter 125, TVS Ronin are extremely delighted, and the volumes of these products will further enhance our market share, both in domestic and international market. We will continue to invest in new product development, and we are planning a series of product launches in the coming quarters, both in ICE and EV.

Our complete product portfolio and unwavering focus on the consumer quality and new products with attractive quality and technology with features. We are confident that TVS will grow faster than the industry, and we have outperformed both, in domestic and international markets.

During Q1, including EV business, company has improved EBITDA from 10% to 10.6%. We will continue to leverage scale benefits, focused premiumization, sustained effort on the material cost reduction, and we will enable us to further improve EBITDA going forward, and we are pretty confident on that. Thank you very much.

Moderator: Thank you. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: I have two questions. Firstly, sir, on the investments, if you can still give some clarification as to what is this INR400 crores invested in TVS Singapore? What business does this pertain to?

K. N. Radhakrishnan: We had invested in this quarter about INR200 crores in TVS Credit. Now coming to Singapore, it is SEMG. We have invested about INR186 crores. Then Norton and other TVS digital. And these are the areas we have invested.

K. Gopala Desikan: Only 1 second. On the SEMG, we bought the 25% stake from the other owners. Earlier, we had invested 75%. Now it has become a 100% subsidiary, and this INR186 crores is only that representing acquisition of the balance 25%.

Gunjan Prithyani: Okay. Sir, I'm just trying to understand how should we think about these investments, because this is a pretty sizable magnitude for 1 quarter. So some of these businesses are actually loss making? I mean, SEMG, if I look at FY '23 actually, had about INR90 crores-odd loss. So if you

can just give us some ballpark numbers as to how much will go incrementally into these businesses as investments? Because if I recall a couple of quarters back when we spoke about Norton, I remember you guys had mentioned that a lot of investment is already done. And we continue to still see investment in Norton and now these European e-bicycles businesses. I'm just trying to get some handle on how should we think about investments in these subsidiaries?

K. N. Radhakrishnan: These are investments which will definitely yield very good returns going forward. If you look at SEMG and the e-bikes business, we are pretty confident. Unfortunately, all of you know that Europe is going through some tough times, And in terms of numbers, we are able to see slight pickup now, and we are confident that going forward, the numbers will come up. And the e-bikes business, it's actually because of the economics beyond your control, And the overall losses, if you look at it, is coming down quarter after quarter, and we are expecting significant improvement going forward. This is on the e-bikes.

And Norton, as you know that we are investing in the product and all the development work is going on. And I always explained like the kind of investments we have done in TVS Credit services or PT TVS, many of the investments are definitely going to yield very good results. I think what is most important is -- these are all for the future, okay, medium term. And definitely, we will see a quick recovery in these investments.

Gunjan Prithyani: Sir. And I mean any number you will put that for the remainder of the year, are you expecting or any commitments that are pending for these subsidiaries?

K. N. Radhakrishnan: What is most important is you look at the way, overall, as a company, we are growing ahead of the market. These are the investments. For example, I can again repeat, whether it's TVS Credit or PT TVS or many other investments whatever we have done. A couple of years, there will be challenges because you have to structure everything, you have to invest in product, product development, And there are some challenges in the industry as well in terms of the kind of geopolitical challenges, whatever we have seen. That is beyond our control.

So relatively, if we can look at the volume to grow and it will happen, And we are confident that these investments will start yielding very good results going forward. But please understand Norton requires a series of products, Those products require investments in design, development, and we have to be a little patient there.

Gunjan Prithyani: Okay. Got it, sir. Just moving back to India on the EV electric, iQube business side. Now there's been a lot of changes in the regulatory landscape, and we took the price hikes, but still I don't think it fully covered up the subsidy reduction. And you also gave that price protection to the customers who had booked. So how are we now -- one, how has that price protection -- how will that be booked? Have you accounted for that already? And how big is that number? And secondly, how should we think about the profitability of the business, now that there's more cost absorption that you have to take because of subsidy reduction.

K. N. Radhakrishnan: See, it is positive. The margin in EV business continues to be positive despite the kind of two challenges what we have seen. One is the FAME change, plus the goodwill refund because we as a company, we had almost 30,000 bookings. So we have to do something because we are a

highly customer-oriented company. So put together, if I look at it, this is onetime of almost 0.2% we have absorbed in this quarter, 0.2% to 0.3%.

There may be some slowness in the market in penetration, but we are confident that we will move to the 25,000 per month, whatever we have committed earlier. And again, when the volume starts growing up with the kind of improvements whatever we have done in the supply chain and the kind of cost reduction that we are looking at, We are confident of coming back in a big way in terms of our positive contribution.

Gunjan Prithyani: Okay. Got it. Just last one, export revenues, if you can share. And I'll join back the queue.

K. N. Radhakrishnan: Export revenue, you have to give me a minute. It is about INR1,665 crores.

Moderator: Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: My question is on other expenditure and also staff extensions. Both have outgrown the revenue growth on a quarter-on-quarter basis. I think you kind of touched upon some absorption of 30 bps of revenues as a onetime cost for EVs for goodwill measure and all that. Can you just explain a bit on that? And also if Desikan-sir can also explain staff costs, is it the new recurring run rate, or is there a higher provisioning? If you can just help us understand these two-line items better.

K. N. Radhakrishnan: Yes, some of the other expenditure is variable in nature, This includes packing, freight, the overall turnover has gone up, There is an increase of almost INR 87 crores out of that. Predominantly, it is coming from packing and freight. And also please understand last year to this year is not a real comparison because last year, we had a lot of challenges in Raider and Apache.

This year, the marketing investments, given the opportunities has also gone up by almost INR15 crores. And we believe in good investments in R&D, product development, they are also another 15 crores. So overall, it is in variable nature of packing, freight, and marketing and towards R&D, And the other -- what was the second question, what you asked?

Pramod Kumar: You touched upon some 30-bps hit because of some EV related -- you absorbed some EV-related bps, right? As in, is it also sitting at the...

K. N. Radhakrishnan: We gave -- there were 30,000 customers who are booked. So when suddenly FAME got reduced, we said we will give something special as a respect to those customers. This changeover, all put together, there was almost 0.2% to 0.3% in the overall material cost or the contribution, that's what I said.

Pramod Kumar: That's in the raw material side, is it?

K. N. Radhakrishnan: No. It is in the contribution side. Revenue side.

Pramod Kumar: So you may probably reduce that revenue number by that amount, right, 0.2% to 0.3% towards the EV, is that right?

K. N. Radhakrishnan: Absolutely right.

- Pramod Kumar:** And sir, staff expense, is it the new recurring run rate? Or why is it there such a sharp jump, because it's up like in a big way on a Y-o-Y on the quarter end.
- K. N. Radhakrishnan:** This is salary cost went up by almost INR40 crores, primarily because of the appraisals, First quarter, we have appraisals 1st of April, And you should know that for the EV and the other areas, we have also recruited new people in the software side, EV side, So put together, this is the increase in the cost. These are all investments for future.
- Pramod Kumar:** Okay. So this can be the sustainable recurring run rate in a way. There's no promising related one-offs or anything like that, right?
- K. N. Radhakrishnan:** Yes. But what is most important is we invest in people, We invest in technology. We invested in innovation. We come up with products which are really delighting the customer. All this requires competent people, Pramod.
- Pramod Kumar:** Yes, fair enough sir, fair. I was just trying to understand that. And on the previous -- on the export side, sir, sorry. Is there any number which you'd like to quote or just help us understand better on the retail on the ground situation in Africa, particularly and also Latin America, how is retail traction? Where are we on inventory? When do you expect near normalization of demand here? And also on the iQube export side, any initial feedback you have, and what are the future scope for iQube exports from India, sir?
- K. N. Radhakrishnan:** iQube, I'll start first. I think we have started in Nepal. The initial feedback is very positive, but we have to closely monitor, and we are looking at making iQube available in many markets this year. On inventory management, the same principle we use. We will have at the distributor level 30 days to 35 days plus whatever is the transit time, the freight time, that is the kind of -- because we don't want to lose any retail, that is the principle.
- But in line with whenever the industry last if you look at nine months or almost 12 months, we have seen because of geopolitical and also the economic slowdown in many of these countries, the industry has come down. So in line with that, we have managed our dispatches, but I'm pretty confident month after month, now you will see, retails are also already growing, and our stocks are in right shape, so we can start seeing that in dispatches in the coming months.
- Pramod Kumar:** And okay. And sir, finally, on the EV monetization, there were some media articles saying that you guys are putting the plan on hold or scrapping it all together. So any comment you have to offer there as to what is the thinking? And because you've done the monetization of the financing arm, so any thoughts on the EV potential monetization, sir?
- K. Gopala Desikan:** No. In fact, we are extremely consistent on this. We were only exploring various options, and nothing was decided. It's all only media report. And that's all I can tell at this point of time. Still we only evaluate various options for funding.
- Pramod Kumar:** Okay. Desikan-sir, then finally, guidance on capex and investments for the year?
- K. Gopala Desikan:** Capex which we have already -- 1 second.

- K. N. Radhakrishnan:** Yes, it will be around INR1,000 crores, including EV.
- K. Gopala Desikan:** INR900 crores to INR1,000 crores, yes.
- Pramod Kumar:** And investment, sir, which including what you've done already in the first quarter?
- K. Gopala Desikan:** One second. Overall, I think we have done around INR 600 crores till now. Overall, for the year, will be around INR850 crores to INR900 crores.
- Pramod Kumar:** INR850 crores to INR900 crores?
- K. Gopala Desikan:** Including this INR 600 crores already done.
- Moderator:** Thank you. We have the next question from the line of Ganesh Singh from Morgan Stanley. Please go ahead.
- Binay:** This is Binay. Just continuing from some of the earlier questions, if you look at the EV business, related to how does the profitability of electric vehicles today versus FAME subsidy reduction? So overall, I'm trying to assess if you pass on the entire subsidy to the consumer, or is there still some absorption left?
- K. N. Radhakrishnan:** See, EV is going to be the future business, As some of you have heard in the AGM, where our Chairman very clearly highlighted EV is going to be the right technology, and you will see the total cost of ownership is becoming better and better. And going forward, the penetrations will grow, Our first objective is to make sure that our customers get delighted with our products, which iQube has done. So we will continue to invest and make sure that we will have a series of products in the range of 5 kilowatts to 25 kilowatts, and we will be catering to various segments, and it will be not only for domestic but international market.
- So what I highlighted is we are making a positive margin, It is an investment for future. And like I highlighted that other investments, whatever we are making, I'm pretty confident that these are contributions, which will go up quarter after quarter, And what is most predominant is customer and volume growth, and present in every category and also make -- you start in international business, both in developing and developed markets in a big way.
- Binay:** But have you passed on the entire FAME subsidy reduction to the consumer?
- K. N. Radhakrishnan:** Yes. FAME is cut down. FAME is completely cut down from my memory, 52,000 to 22,000. That is immediately passed on from first of June.
- Binay:** Okay. So there is no sort of...
- K. N. Radhakrishnan:** It is not fully passed on in terms of price increase. That's what I highlighted during my speech. I think we have to balance it out given our aspirations on growth in the top line in terms of numbers. So some we are absorbing, but this absorption is going to be an investment. And please also understand thanks to the government, we cannot expect this kind of subsidies to last long. I think government has done a bit whatever is required from their side.

Now it is for the manufacturers to invest in technologies and really, really look at how to build the business in terms of products and technologies and connectivity and infrastructure, That is the part we are now doing. So there will be some challenges, but we are here to go through the challenges. And when the top line starts growing up, every other line will grow up. So I'm pretty confident because we are starting with a positive margin. Quarter after quarter, it will improve.

Binay: And sir, I heard you correctly, right? you're talking about 25,000 unit ramp-up by August, right?

K. N. Radhakrishnan: Yes.

Binay: And sir, when do the PLI gains kick in, like when do you -- any idea on the PLI quantum of incentives?

K. N. Radhakrishnan: PLI discussions are going on with the government, and I am expecting very good support from the government as well.

Moderator: Sir, the current participant seems to have dropped from the queue.

K. N. Radhakrishnan: Okay. I was a little worried that we got disconnected.

Moderator: We will proceed with the next participant. The next question comes from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: So just taking more details on the PLI scheme? You're expecting that benefit to start flowing from the current financial year?

K. N. Radhakrishnan: We'll come back to you. That's what I said, the discussions are going on very well with the government, and I'm expecting a positive result.

Kapil Singh: Okay. And just on the EV, sir, it's quite interesting that the FAME subsidy has come down, but you're still expecting the sales to hit 25,000 per month. So just if you could share some perspective here that how that is happening with a reduction in subsidy also, the sales targets are holding on, just some color there would be quite helpful.

K. N. Radhakrishnan: Most important thing is, if your product is really delighting the customer, customers will buy. That's exactly I always believe in, and that is what is happening. Second, we are also now making it available for more customers, more towns, And like I said, please understand now last year we have more than 1,00,000 customers. It is a positive word of mouth from them, and more and more customers are considering iQube.

And we will be also coming up with new products this year for various segments. So I think it is a combination of everything, and we told you, we have just started in Nepal, So I'm pretty confident that 25,000 will happen next month, and we have a healthy opening booking.

Kapil Singh: Okay. That's great to hear. Secondly, just on the overall pricing and cost outlook, if you could share that how much is the price increase, we have taken in second quarters so far and -- both, in international and domestic? And what is the cost outlook that you have going ahead?

- K. N. Radhakrishnan:** You're asking Q1 or Q2?
- Kapil Singh:** Q2
- K. N. Radhakrishnan:** Q2, we have taken a moderate price increase of about 0.5% in Domestic. IB, so far nothing, but we are closely monitoring, and we will take a decision based on overall cost situation.
- Kapil Singh:** Okay, sir. And what is the cost outlook that you have?
- K. N. Radhakrishnan:** What is that?
- Kapil Singh:** Raw material cost outlook? Are they...
- K. N. Radhakrishnan:** Yes, raw material are unlikely to increase this quarter, possibly there could be some benefit.
- Kapil Singh:** Okay. Understood. And sir, if you could also share the spares revenue, please?
- K. N. Radhakrishnan:** Spares revenue is about INR717 crores for this quarter.
- Kapil Singh:** Okay. Sir, lastly, just on the premium segment, more than 200 cc, do you -- just what is the outlook there because you had launched one product, but you have not really seen significant volumes. So just some colour there to what -- do we need more products in that segment? Or how should I think about it?
- K. N. Radhakrishnan:** More than 200 cc, we are doing well, and we will continue to do well. What is most important is we have to show a little bit of patience, and which TVS will always stand by because if you stand there, I think month after month, you will see improvement in the number and in the volume and the market share. So we are pretty confident that we will do very well beyond 200 cc.
- Kapil Singh:** So my question was specific to Ronin actually, what is the volume we are doing currently?
- K. N. Radhakrishnan:** Ronin, we are doing close to 3,000 numbers per month.
- Kapil Singh:** Okay. And do you have an order book there? Or do you need more variants there to build up market share in that segment, just that is what I was trying to understand.
- K. N. Radhakrishnan:** These are areas where we'll continue to invest, because we always believe in delighting the customer with the new technologies, new variants, new products. I think that is strength of TVS.
- Moderator:** Thank you. We have the next question from the line of Raghunandhan N.L. from Nuvama Research. Please go ahead.
- Raghunandhan N. L.:** Congratulations on a great set of numbers. Sir, firstly, on the commodity cost. Recently, there has been reduction in base metals, significant drop in precious metal and some drop in the crude derivatives. So given that all these commodities are moving favourably, Q2, Q3, do you think there can be a significant benefit for us? I mean taking the lag of 1 quarter and doing some

calculations, roughly, it shows the benefit can be in excess of 100 basis points. Any thoughts you can share around that?

K. N. Radhakrishnan: See, like I said, we are seeing slight commodity softening, but I don't have a number or a guidance on exactly how much it will be. I think what you said is absolutely right, there is a lag factor. But commodities, looks like Q2, Q3 may not be worrisome. That is the generic guideline I can give at this point of time.

Raghunandhan N. L.: Got it, sir. On the EV side, I mean, given that FAME incentives have reduced, there is a need to improve the cost of ownership for customers. So would it be fair to expect that upcoming products, you'll try and make it more price competitive, hence triggering that cost of ownership being favourable for customers?

K. N. Radhakrishnan: Please understand, price is only one element in the overall package to the customer. Customer looks at many factors. They look at the product. They look at the total cost of ownership. They look at the features. They look at the digital. They look at the usage. They look at how it is superior or the basic things, whatever they see in ICE, they want to see that. Plus, plus, plus, they want many things when you look at the EV. So it's a package. And the TVS has been so far successful in looking at the overall package and delivering the best value to the customer. That principle will continue, Raghunandhan.

Raghunandhan N. L.: Got it, sir. And sir, lastly, in terms of on what are your thoughts on how you can use the Norton brand in India? I mean, I think recently, as per the Trade Marks Journal, Norton compact name was registered in India. So any thoughts there?

K. N. Radhakrishnan: See, these are investments, whether it is Norton, SEMG or the e-cycles. I think globe is the market. Developed markets is a great opportunity. Developing markets is a great opportunity. And India TVS is very well known. So it's the timing. It is the strategic investment, which we will leverage, depending upon our next two years, three-year plan.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Firstly, can you talk about your USD-INR realization in the quarter? Would it be INR82 or higher than that?

K. N. Radhakrishnan: You're asking the...

Jinesh Gandhi: Dollar utilization.

K. N. Radhakrishnan: Rupee is about INR82-plus.

Jinesh Gandhi: Okay. Secondly, you talked about EV products being positive on margin. So this -- you're referring to EBITDA margins or contribution margin?

K. N. Radhakrishnan: I'm only talking about contribution because at this point of time, we should look at only customer delight and volume. And you have to be positive in margin, because fixed costs are not going to disproportionately go up. So as the volume goes up, the scale benefits are definitely going to

come, plus the material costs can come down. But please understand cell, which is the majority, there will be cell chemistry improvement, there will be volume benefits. So I think everything will fall in line once you have the customer delight and the top line coming in.

Jinesh Gandhi: Sure. That is a fair point. And you also talked about your partnership with last-mile delivery players, including Zomato's and Amazons. So this will be not for iQube, right? This will be for other products which should be launching in due course?

K. N. Radhakrishnan: It will be for a combination of product. We will leverage the products what we have now and what will be the future product launches. It is about the segment. It all depends upon the segment.

Jinesh Gandhi: Right. So at least the current partnerships will be for iQube and then depending on which products we launched, they could be furthermore partnerships. Got it. And last question to Mr. Desikan. Sir, we have seen a sharp increase in interest cost on a stand-alone basis. Is there any one-off there or that is a normalized run rate for our interest cost?

K. Gopala Desikan: There are two reasons. One is the effective rate of interest have also gone up by 0.3%. That has also contributed to the increase in cost. And additionally, we have -- the borrowings have gone up by around INR 250 crores. That is the one contributory. The other contributory is the effective interest costs have gone up by 30 basis points.

Moderator: Thank you. We have the next question from the line of Aryn Pirani from JPMorgan. Please go ahead.

Aryn Pirani: Actually, my first question is on the deal which was announced in TVS Credit. So congratulations on the value creation opportunity. So as per the release, it mentioned that PI is going to invest some money into TVS Credit, and you mentioned that your stake will come down to around 81%. But then there was also a mention that they will be acquiring more stake from the existing shareholders of TVS Credit. So are we to assume that you will not be participating in that?

K. Gopala Desikan: So as far as the capital infusion into TVS Credit Services is around INR480 crores. And overall, they will be investing around INR750 crores to INR800 crores. And these secondary sale is not from TVS Motor Company, but certain other shareholders are participating. TVS Motor Company, stake which is around 86%, coming down to 81% is only because of the infusion of INR480 crores they are making into the company, and no secondary sale from TVS Motor Company.

Aryn Pirani: Understood. And once this money infusion comes into TVS Credit. I mean, can you give us a sense as to -- because you've been investing money into TVS Credit every year. So -- and you've also invested some money in 1Q. But after this infusion comes in, I mean, can we say that maybe for this year and maybe potentially next year, you may not have to invest money at least in TVS Credit? Or how should we think about it?

K. Gopala Desikan: That's very difficult to answer. But one thing I can tell you, this INR480 crores will definitely going to improve the capital adequacy of the company. But this year, we have already invested our planned investments.

- K. N. Radhakrishnan:** And what is most important is the book size has been growing healthy. And the bottom line is also very, very healthy. So we need to look at how the returns are coming and invest in the right area. So I think that will be the strategy of the company, right, Desikan?
- K. Gopala Desikan:** Yes. And again, straight to answer your question, this year, planned investment is already done.
- Amyr Pirani:** Understood. That's helpful. And just lastly, on Norton. Any update on when would you be launching the new products in the UK? Because I think you already have an order book, and I think you were spending some time and getting out the newer products. So any update on that? Any timelines would be very helpful.
- K. N. Radhakrishnan:** Closer to the launch time, I'll let you know in detail.
- Amyr Pirani:** Okay. I'll just try...
- K. N. Radhakrishnan:** Rest assured; we will make Norton very successful in the super premium category.
- Moderator:** Thank you. The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.
- Nishit Jalan:** Congratulations on good set of numbers. Sir, I have two questions. One, as of last year, you had about around INR450 crores of EV subsidy receivable from government. So just wanted to check, has that money started to come through or -- and what is the situation now? And number two, can you give us some details on the equity or the book value of the financing subsidiary of TVS Credit Services?
- K. N. Radhakrishnan:** See the FAME subsidy has started coming to a company. I think there are -- the one good proportional will come and we are expecting government is moving very fast now, and we are expecting this to be completed soon.
- K. Gopala Desikan:** Yes. As far as Credit Service is concerned, the book size is close to INR22,000 crores. And company is doing extremely well, reported a profit of INR157 crores this quarter. And the -- all other norms with regard to capital adequacy or debt equity or gross NPA are well under control. The collections have been extremely good. We have collected close to INR5,000 crores as against last year's INR3,800 crores. The net worth is around INR3,000 crores now.
- Nishit Jalan:** Okay. And sir, of the loan book of INR22,000 crores, how much would be to finance by the TVS Vehicle? And how much would be non-TVS business?
- K. Gopala Desikan:** No. TVS Vehicle business is around 20% to 25%, the rest are other lines of activities.
- K. N. Radhakrishnan:** Other segments where we are investing is -- TVS is investing is growing substantially.
- Moderator:** Thank you. The next question is from the line of Pramod Amthe from InCred Capital. Please go ahead.
- Pramod Amthe:** Post this FAME subsidy reduction, which is now almost like two months, how -- what is the customer talking about in terms of moving down the configuration or whatever response you are

getting, so that you can plan your products as to the customer response? Can you give some color on that?

K. N. Radhakrishnan: See, there are two important things. I'm only talking about TVS, 100,000 vehicles on the road, especially in the urban area. Customers are delighted-- definitely the word of mouth and the positivity, they're coming for more and more EV, This is one. Number two, the FAME reduction. I think last month, we saw some decline.

This month, there is a small pickup. And I'm talking about the industry, I'm talking about the industry. And I'm of the view that possibly by second half last quarter, I think it should come back to the normal situation. And when I look at the medium to long term, next to three years, four years, I think EV will be the area where the penetration will go up, Given many other parameters, price is only one element.

All the support is only one element. People look at a package, and people look at a relative package vis-a-vis other product, okay? Now given this is all about the industry. Now coming back to TVS, I said about iQube. I think we had some challenges because of the AIS transition and in this June, the FAME withdrawal.

Now slowly, the booking has again picked up, and our demand is, again, going back to the olden days. And we are also expanding the touch points in the market. So I am pretty confident that the markets will come back for TVS because product is key. Customer delight is key, Price is only one element that we all need to understand that.

Pramod Amthe: And the second related question is with the now the subsidy proportionally is lower, and norms to get the subsidy were really tough, do you see a scenario where now the competitors are going to buy out internationally and so that the cost of procurement can be lower instead of the requirement to make it local and avails subsidy?

K. N. Radhakrishnan: I do not know about competition, but I can talk about TVS again. I think we are looking at different market segments, because it's not that every customer is looking at an economy product, There are different customer segments. What are we seeing in ICE, you will see in the EV also going forward. You need products like iQube. I relate to something like a Jupiter.

Jupiter is not an entry-level product. It is a commuter product, which is liked by urban people, Then you will see products on the premium side. You will see products on the lower side. I think you need to have products for different segments of the customers. And if you have a product range, that is what is going to help you grow the business.

Pramod Amthe: Now just looking from the competitive landscape, do you envisage that and how to tackle it?

K. N. Radhakrishnan: And competition is only one reference. I always look at the customer. You have to be aware of competition but more look at customers. That has been TVS philosophy always.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Sir, just wanted to and if I look last 8 quarters around 10% EBITDA margin with rising iQube volume. Now first leg of subsidy cut where hikes were not commensurate to the subsidy cut, and also the looming risk of subsidy going out fully in next couple of years. So how should one look at overall portfolio profitability with the EV portfolio as a good package -- as a good product, but as a overall EBITDA margin how to look at that from two years to three-year perspective, sir?

K. N. Radhakrishnan: We look at our 10.6% with the volume of EV, it's practically a significant reduction of FAME in June, we have delivered this 10.6%. I already told you. So from 10%, it has moved to 10.6%. I'm pretty confident with the overall -- both, EV and ICE products growing. We are pretty confident that the EBITDA will continue to grow, Now coming back to EV, again, I highlighted that EV margins are positive.

When the volumes start going up and you are present in various segments, that is the time you will get pricing power, you will have a higher volume means your scale benefits will open. And see, when volumes go up, including cell with the new chemistry on the other side, other parts like motors, controllers, you can look at -- instead of just single source, you can look at multiple sources.

So there are many other principles what we look at in overall volume growth. All this will help in bringing down the material cost. And all other fixed costs, please understand the volume is the only way by which you can get the scale benefit in all the other fixed costs. So I'm pretty confident that going forward, quarter after quarter, you will see better and better performance on EV contribution. And we have to be a little patient, because first is to deliver the products in the various segments, and that will help us to build the bottom line.

Basudeb Banerjee: Sure. Second thing, sir, like if I look at brand-wise volume, Apache per month is back to 40,000 plus, which it used to do at the best of days in between it went out to sub-30,000. So now how do you look at brand Apache moving up beyond 40,000, which getting resolved and premium by acceptance by the market being pretty robust?

K. N. Radhakrishnan: Apache is a great brand. Unfortunately, last year, if you look at it, practically production got affected because of semiconductor, and we took many actions. So now we have multiple suppliers on the semiconductor side, and that is helping us. And it is liked by the rising enthusiast growth in India and globally. Apache is a brand which everyone loves, and it is going to grow in market share and stature going forward.

Basudeb Banerjee: And last thing, sir, if you can highlight on the health of export survival where destocking of inventory across exports market, the commentary was there for last couple of quarters. So now how you look at the monthly volume spending out in exports in the next three months, four months, six months going ahead?

K. N. Radhakrishnan: I think we have corrected all the inventory, the industry has been declined because of many geopolitical, economic, availability of currency in some countries, demonetizing. So there were multiple factors which affected many of these countries. Now we have corrected our stocks in line with our principal. Going forward, you will see the retails have been higher, and you will

see quarter after quarter, our dispatch is going up with IB. And please understand, even during this time, we have done better than the industry growth in IB.

Basudeb Banerjee: So will it be right to assume monthly export volumes are already bottoming out and it should only improve down the line?

K. N. Radhakrishnan: Absolutely.

Moderator: Thank you. The next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: My question was more to understand the strategy we'll be having on the EV side now. So as you pointed out that part of the FAME incentive reduction is something which we have passed and part of it, we have absorbed. So in a scenario in the near term where the demand could be challenged, do we want to push a push strategy at this time? Or would we want to adjust our volume based on where the demand stabilizes and build, at the same time, start looking at more profitability of the business instead of just focusing on pushing the sales?

Or just to put it in a different way, are we looking at investing in the business to build a holistic ecosystem around EV business such as on the battery side, and we have already partnered on the charging side as well. So how are we going to transition in the intermediate part where the demand would be far more volatile?

K. N. Radhakrishnan: I think the answer is in your question itself. I think we are partnering with -- EV is going to be the technology for the future. And please try, not using the word push, we never push any products into the market. We create the pull system. That's why I said, even despite this FAME reduction, we have come back to a healthy booking pipeline in the market, okay? What is most important to us is the pull system.

The pull system means customers delight, then only they will come and buy the product. For that, one product is not good enough. iQube alone is not good enough. I think we have to create a series of products because customer segments are different. The analogy is ICE. You have to have Jupiter, you have to have Jupiter-125, you have to have NTORQ. In the motorcycle, I can give you Raider, you have to have Apache, even in Apache you have to have various variants.

Analogy is same, because consumers are consumers. And what is most important is we have already set the tone for our EV transformation. And we have expanded the coverage of iQube. We are now putting the new product. We are looking at entering into both, developing and developed markets. So EV is going to be the strategy of the company, And we are also partnering with last-mile delivery partnerships, and we are investing in charging access for customers.

So creating the eco system and creating the kind of new technology. And also, we have invested in people. Last time also I highlighted, we have got digital, analytics and software specialists, significant proportion we have added in that area. So these are all investments for future, which is definitely going to stay.

And what is most important is all this will translate into new products. All this will translate in an increase in volume. And we will get huge scale benefits, and we will have the benefits of premiumization here also, cost optimization and both, in supply chain and material. And the most important is cell cost, which is the main cost rate of EV will also come down with increase in volume and new cell chemistry. So overall, I think we have started the right way, positive margin, but delighting the customer with many models, if we can continue -- we will continue the same strategy, and we will disproportionately grow our top line.

Kumar Rakesh: I just needed a clarification. On this call, multiple times you referred about battery chemistry and technology. Could you just give us some highlight on what you're working on those areas? Are you working on new chemistry on the LFP side? And how are you going to compete with the work which the competition is doing, especially on the vertical integration on the technology side?

K. N. Radhakrishnan: We invest with the right partners, and the strength of our company is many of the things whatever you see in iQube is designed and developed by us. We partner with the right technology partners. And in the cell area, we moved from 18,650 to 21,700. And this journey will continue, Closer to the launch of the new product, I'll tell you what kind of technology, what kind of chemistry we are using in the product.

Kumar Rakesh: Great. I'll wait for that.

K. N. Radhakrishnan: Can we take the last question, please?

Moderator: The last question will be from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Hi, sir. Good evening. My first question is on input cost for EV, what kind of trend we are seeing on battery cost going down given some of the input costs for cells have gone down quite materially?

K. N. Radhakrishnan: Overall cost is coming down. But please understand it all related to volume, while you see overall cost coming down, but we have to look at how the volume commitments are there. So most important driver is the top line. If the top line is there, then you will have different, different contracts.

Ashish Jain: Right. But sir, as of now, we haven't seen any correction in battery cell sourcing cost, especially given the input cost, like I said, has come down quite materially in the last six months, nine months.

K. N. Radhakrishnan: It is a journey; it is a journey. We have just started the journey, When I look at 25,000 is the first milestone, then we have to take it to the next level. So it's the beginning of a great journey on EV.

Ashish Jain: Right. Okay. Sir, secondly, just one clarification. I did not get -- so earlier in the call, you spoke about 20 to 30 basis points impact because of onetime impact due to EV. Could you just elaborate on that? Is that booked in revenues or in some other cost items?

K. N. Radhakrishnan: It's in revenue. When the overall FAME got reduced, we had a booking. At that time, for the customers who are booked, we have to do something as a company, because we believe in customers.

Ashish Jain: Right. So all that impact is already there in 1Q. There's nothing more expected to come into 2Q and all.

K. N. Radhakrishnan: Yes.

Moderator: Thank you.

K. N. Radhakrishnan: Thank you very much. Thank you very much to all the participants. And as I highlighted during Q1, including EV business, we have delivered EBITDA of 10.6. The kind of product portfolio what we have, we will grow better than the industry in all segments, including international. And we will leverage the scale benefit, premiumization benefits, sustained effort on material costs. And we will continue to grow on our EBITDA as well. Thank you. Thank you, everyone.

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