



**“TVS Motor Company Limited
Q4 FY2022 Earnings Conference Call”**

May 05, 2022



**ANALYST: MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

**MANAGEMENT: MR. K N RADHAKRISHNAN – DIRECTOR & CHIEF
EXECUTIVE OFFICER – TVS MOTOR COMPANY
LIMITED**

**MR. K GOPALA DESIKAN – CHIEF FINANCIAL OFFICER
– TVS MOTOR COMPANY LIMITED**



TVS Motor Company Limited
May 05, 2022

Moderator: Ladies and gentlemen, good day and welcome to TVS Motor Company Limited Q4 FY2022 earnings 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 '*' then '0' 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 Mr. Jayaraj!

Annamalai Jayaraj: Thanks Neerav. Welcome to TVS Motor Company Limited (TVS Motor Company / TVSM / Company) Q4 FY2022 post results conference call. From the TVS Motor Company management, we have with us today Mr. K. N. Radhakrishnan, Director & Chief Executive Officer and Mr. K. Gopala Desikan, Chief Financial Officer. Congrats on a good set of numbers Sir from the margin front. I will now hand over the call to Mr. K. N. Radhakrishnan for the opening remarks to be followed by question and answer session. Over to you!

K. N. Radhakrishnan: Good evening everyone and trust all of you and your family members are safe. Thanks for joining this call on TVS Motor Company, Q4. First of all, I am extremely happy and delighted to share with you that Mr. Sudarshan Venu has been elevated as Managing Director, effective today. As you know, Sudarshan joined TVS Motor in 2011 and he was appointed as the JMD in 2014.

With his deep rooted values, he has been instrumental in driving innovation in advanced technology and investments in the future technologies like digital and future mobility. His passion for customer delight, quality and drive for cost management are exemplary. He has created aspirational products, which are extremely successful in the market. During his tenure, the company has tied up with BMW Motorrad, established TVS Digital and recently invested in E-bikes which is a growing segment in Europe. Under his leadership the company has achieved more than 1 million exports volume and due to his special focus on premiumization resulted in the highest revenue, EBITDA and PBT during this year.

Coming to 2021-2022 it was a very, very challenging year as all of you know impacted by COVID-19. We had same time last year lot of shutdowns due to COVID wave two in Q1 after that we had subdued rural demand, supply chain related issues, and huge customer price increases driven by the commodity cost increases. This resulted in the decline of two-wheeler industry by 11%.



TVS Motor Company Limited
May 05, 2022

TVSM with its strong portfolio and focused exports grew in the total two-wheeler sales by 7% resulting in market share gain during the year. With the focus on premiumization, successful new product launches, growth in international business and sustained cost reduction initiatives, the Company posted highest ever PBT of Rs.1243 Crores in spite of all headwinds.

During the year, two-wheeler domestic sales clocked 2.05 million units. International front the two-wheeler sales were 1.09 million. The Company has achieved this significant international business milestone in the financial year for the first time.

In Q4, the revenue from operations grew by 4% Rs.5530 Crores as against Rs.5322 Crores last year fourth quarter. The domestic sales declined by 11% compared to Q4 of last year against the industry decline of 23%. International market sales declined by 3% compared to Q4 of last year. The total two-wheeler sales declined by 8% compared to Q4 of last year against the industry decline of 19%.

Total sales of three-wheeler during this quarter were 42,000 against last year almost similar number. Profit, in EBITDA we reached Rs.557 Crores. It grew by 4% over last year Q4. Continued focus in cost reduction initiatives helped the company to maintain the EBITDA for the quarter at 10.1%.

PBT for the quarter is at Rs.373 Crores as against Rs.387 Crores last year. Profit after tax is Rs.274 Crores as against Rs.289 Crores.

On PT TVS the company sales is at 18649 Nos as against 22000 Nos during Q4 of last year. We also sold three wheeler 2669 numbers compared to last year's 2298 numbers. PBT for this quarter is 1.1 million.

Overall for the 2021-2022, revenue from operations grew by 24% from Rs.16751 Crores to Rs.20791 Crores. This is the highest. Two-wheeler sales in the international market during the year grew by 43% over last year as against the industry growth of 36%.

Domestic two-wheeler sales declined by 5%, industry declined the same time were 11%. Three wheeler sales grew by 39%. Operating EBITDA for the year is 9.4% compared to last year 8.5%. During the year, the company posted highest ever PBT before exceptional item of Rs.1243 Crores as against Rs.826 Crores last year. Rs.30 Crores incurred towards COVID-19 related expenses are reflected as exceptional items.

Profit after tax grew by 46% from Rs.612 Crores to Rs.894 Crores and



TVS Motor Company Limited
May 05, 2022

PT TVS continued to achieve profits this year. Two-wheelers sales grew by 46% at 86025 numbers compared to last year's 58901 numbers and three wheelers grew by almost 88%, at 11043 Numbers compared to last year's 5863Numbers.

As you know the board at its meeting during March declared an interim dividend of Rs.3.75 per share absorbing a sum of Rs.178 Crores.

On EV, we have excellent positive response from the customers and it continues to grow for TVS iQube Electric based on the dependable performance, reliable range and silent comfortable driving experience. As on today we have more than 12,000 bookings. We are currently present in 33 cities and we have sold so far 12000 units of TVS iQube.

In 2022-2023 this financial year we will be launching a series of new products focusing on different segments. The company is readying a complete portfolio of two-wheeler and three-wheeler in the range of 5 to 25 kilowatt all of which will be in the market within the next eight quarters. The first of this product will be in this quarter. I will give you more information closer to launch.

In TVS Motor's vision of electrification we envisage a wide and reliable charging infrastructure for our EV customers across India. Recently we collaborated with Jio-Bp to access its widespread charging network for EV customers. We also have access to Tata Power and CESL Network. We are already tied up with them. This will substantially enhance the customer experience. As you know EV industry is slated to grow rapidly and the company has got a robust plan for this segment.

On outlook for 2022-2023, we are expecting normal monsoon and this will definitely help the agricultural sector to grow. This will be the fourth year in succession favorable monsoon in India. The rural economy should get benefit because of this. The future economic impact of COVID is assessed to be low based on the wave three which saw minimal hospitalization. The administrative response through vaccination drive and not resorting to broad lockdown measures is seeing positive impact on the consumer sentiment and overall economic activity.

The improved investments in the road infrastructure, economic environment with our current mass transit systems will further drive the demand for mobility for masses. This demand is today best served by the two-wheeler segment making it fundamental very attractive in light of the resurgent India.

Two-wheelers in international business is also likely to see a good growth during the year with current trend of crude oil prices and availability and stability of currency. We have a



TVS Motor Company Limited
May 05, 2022

strong portfolio of products which will enable to grow ahead of the industry. I am extremely happy on the demand for TVS Raider and TVS Jupiter 125cc and we even have very good order bookings for both these products.

We are very confident that these two new products will help us in the growth journey of TVS Motor both in domestic market as well as in the international market. We are continuing to witness the trend of premiumization in all the markets and therefore we are confident that our premium products such as Apache, Raider, Ntorq, Jupiter ZX, Jupiter Grande series and the Jupiter 125 will do very well.

The present geopolitical climate and allied economic consequences will have an adverse impact on different commodities and crude oil prices in the first half of this financial year. We have taken judicious price increases both in domestic and international market to mitigate the impact on the commodity prices. We are pretty confident that this year we will grow ahead of the industry both in domestic and international and with the strong portfolio of brands like Apache, Jupiter, Ntorq, Raider, Star range, HLX, Radeon and TVS King and the new launches what we are planning this year we will continue to grow ahead of the industry and our sustained cost reduction initiatives will help us to significantly improve our EBITDA going forward. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kumar Rakesh from BNP Paribas Mutual Fund. Please go ahead.

Kumar Rakesh:

My first question was around your EV sales network and production capacity ramp up plan so our sales network for the last two quarters have not been able to expand beyond 33 cities? I understand it is the reflection of supply constraints which we have so what is the visibility now you have what is it that you are targeting now in the sales network expansion and also on the production plan expansion you had talked about that Q1 of FY2023 we should reach 10,000 units production? I think that would also be critical for network expansion plan how are we planning?

K. N. Radhakrishnan:

We are definitely confident of ramping up to 10,000 by Q1 end. We had some challenges in terms of some of the semiconductor suppliers but given the kind of relationship we have with them they are all supporting us in terms of ramp up and we have an aggressive plan this year. Once we are able to reach 10,000 by end of this quarter then as I said there is going to be a new product launch as well as and we will have a very good quarter after quarter disproportionate growth and we have enough capacities for that. Also we have lined up with all our suppliers so it will be a great journey in terms of the EV. What is most

important is all the customers of TVS iQube really love it and that is the reason we have over 12,000 bookings.

Kumar Rakesh: Thank you for that. My second question was on the acquisition side, we have made a few EV bikes acquisitions especially in Europe and earlier we had made an acquisition of Norton brand so how are planning about the products and also the brand strategy around those and more importantly in the context are these EV would be purely for the European markets or we are looking at it in conjunction with the Indian EV market and our strategy here domestic?

K. N. Radhakrishnan: The general principle is all these products will be applicable to many markets, but the first focus when we have acquired the SEMG is to focus on markets in Europe because this is the market which is likely to grow very, very fast and this SEMG is also a leading provider of e-mobility solutions in this region and as you know last year they have done 100 million in revenue and they were profitable in last year so we will leverage that but this gives us a huge opportunity to expand the products portfolio of e-bikes and we will be very closely looking at which are the other countries where we can use similar platforms and we can also look at some point of time in India. As you know, Norton is a very premium brand and definitely since acquiring in April 2020 we have set up an excellent facility with all the focus on right talent pool, focusing on quality improvement and ramping up for production, this will only help and you will see this year, production and sales happening in a small way and then we are now articulating the three to five year plan for this brand and once it is ready we will share it with you but we are pretty confident that both these investments are going to give us huge returns going forward.

Kumar Rakesh: Got it. Thank you for those answers.

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

Pramod Kumar: Thanks a lot for the opportunity. Sir my first question pertains to your comment on semiconductors situation easing? You talked that in specific context of EVs, but just want to understand will it also help you to elevate the supply chain pressure on brands like Apache, Raider and Jupiter because they have been on a wait list? All three brands have been on a waiting especially Raider, Apache and Jupiter 125cc and I understand the marriage season is ongoing and the demand for some of these brands. Will there be any easing of the situation on production side for these brands as well when you look at the remainder of the two months of this quarter?

K. N. Radhakrishnan: Surely because we are taking some alternate actions also. One of our suppliers are not able to ramp up. We had lot of challenges or bottlenecks so we are also looking at augmenting this some more suppliers in this area and we are pretty confident especially in Raider and Apache. Fortunately, we were able to get full support on Jupiter 125cc and the supplier also has helped us to increase the volumes so I think what is most important is there is a genuine shortage of semiconductor so we have to plan some alternatives and also we have to give some time because both in Raider and Jupiter the customer demand has been exceptionally good and the reception has been exceptionally good. Apache we had a setback for last couple of months and this month we had a serious setback, but we are coming up with alternatives soon. So I am pretty confident that one of the current supplier itself they are going to support us more and we will have some alternate suppliers also developed for the quarter, but the good thing is that the demand front, we are extremely happy in a difficult and challenging situation like this for the Raider, Apache and Jupiter 125cc seen huge demand, which is very positive news.

Pramod Kumar: Sir on that comment of yours on demand, just trying to understand because we never seen a stable month for Raider or Jupiter? I understand you have not even activated marketing campaigns for them in a big way because of the capacity constraints so just trying to understand how much could be the demand with Raider and Jupiter 125cc alone as new brand introduction can add to your volume kitty net of cannibalization some bit of Jupiter and all of that so where do you think these brands can head to at a combined level in terms of volumes per year for domestic markets?

K. N. Radhakrishnan: Domestic market we have fitted around almost 17% market share which is one of the best for TVS Motor Company and thanks to the existing brands as well as for Raider and Jupiter and this is with some constraints we had in Apache in February and March so you can estimate. We have a huge opportunity to gain significant market share this year with existing brands as well as these two new brands and please understand this Jupiter 125cc is also moving in international markets and also Raider is moving in a big way in international markets.

Pramod Kumar: Will that be wrong if I assume like the domestic plus exports is easy 50,000 to 75,000 units per month domestic plus export both the brands put together?

K. N. Radhakrishnan: I do not want to guide with any number. All that we look at is whether the customers are delighted? Yes. There is a huge demand? yes. Continuously invest in right capacities and work with the suppliers, work with the dealers and distributors and make sure that you grow profitably with these brands.

Pramod Kumar: Thanks for that. The second question is for Desikan and you also in way? On the cash presentation because last couple of years we have been investing very aggressively on either acquisition or a capability buildup right and the investments are probably growing ahead of our cash flows from operations in that sense so when you look back now with the SEMG acquisition being done and creation of the e-mobility platform and the expected monetization on the financing arm and some probable transaction of the EV side so how should one look as an investor and as an analyst on FY2023 cash flow generation and going forward whether in terms of whether there will be big investment happening again or we have kind of done bulk of the investment which we wanted so far so how should one look at the free cash flow situation going forward Sir?

K. N. Radhakrishnan: I would like to guide you saying that significant portion of these investments made by the company already earning good returns for example TVS Credit Services Limited (TVSCS). TVSCS during this quarter TVSCS book size is almost Rs.14,000 Crores and the networth of the company is Rs.1866 Crores and Q4 profit is Rs.74 Crores compared to last year Q4 of Rs.62 Crores and year as a whole also very good performance so again I go back to the other points so significant proportion of whatever investments we have made whether it is TVSCS or PT TVS Indonesia. You know PT TVS Indonesia last two years it is giving us very good profits and I am very confident about this year also 2022-2023 the markets are growing, our exports are growing and there is a huge opportunity and in SACL. Also the new two newly invested e-mobility companies are already profitable almost Rs.700 Crores we have invested in this so we always invest in the right segment and right businesses and we are confident that we will deliver good performance and returns in the future and we should understand that any company you have to give one or two years to reach certain levels of complete maturity in terms of product, quality, standards and having the right network so these investments definitely are going to give very good returns in the future. We are confident about that. Desikan you want to add anything? On the monetization part.

Gopala Desikan: I just want to answer Pramod's question. Significant portion of investments are behind us to be very, very clear to your question and second is the company continues to generate free cash flow and next year we will also we will continue to generate free cash flow.

Pramod Kumar: Sir on the monetization part you did share about financing our monetization and also potential opportunity?

Gopala Desikan: The last time we said that TVS Credit Services is evaluating various options for fundraise and we are pursuing various options. We will come back to you at the right time. We are progressing on that front.

- Pramod Kumar:** Sir last one but on the software side I want to ask this question because we have seen so many new features getting added to your products like voice command on a new product like NTORQ, a new variant so I just wanted to understand this is something which is unique in the two-wheeler industry right the kind of features what you are offering on product or the connectivity and digital bit, I just wanted to understand are these all kind of bought out technologies which you are buying from vendors under license or these are something which you have developed in house using your own proper talent?
- K. N. Radhakrishnan:** We completely believe in designing and developing in house. Of course, we partner with the right suppliers. We can be really proud that we are really having the spirit of Aatmanirbhar India from design and development.
- Pramod Kumar:** No Sir I was asking this more from the EV perspective because electrical vehicles are more popular?
- K. N. Radhakrishnan:** Even for EV most of the significant proportion of these developments are completely done in house. We partner with the suppliers for some of the parts to be produced. That is the biggest differentiator.
- Moderator:** Thank you. The next question is from the line of Raghunandhan N L from Emkay Global Financial Services Limited. Please go ahead.
- Raghunandhan N L:** Thank you Sir for the opportunity. Sir firstly on the demand side, demand conditions are improving and your peers are indicating expectations of double digit growth in FY2023? Can you talk about which segments are driving this demand improvement? You indicated good traction in rural? Can you also talk about other customer segment like salaried and student where all do you expect traction this year?
- K. N. Radhakrishnan:** The good news is again last year because of the lockdowns urban initially got affected and once the COVID situation in wave three became little bit better with minimal hospitalization and better vaccination we could see I think the people coming for better buy. The biggest challenge was in the entry level segment. If you look at the entry level segment was the biggest challenge starting from mopeds and entry level motorcycle primarily because of one the cost and the price increases whatever they have seen. Second is because of the anxiety of the COVID and kind of almost two years of their income level being very, very subdued okay. Now we are seeing first time after COVID three the people are now doing their regular jobs, the self employed are doing their job, schools are opening and so I think it is positive for the industry, very, very positive for the industry and I am very confident that this year you will see rural will come back. Urban will continue to do well this year. The premium product always does well. Now the challenge is the 50% of the

market which is in the entry level. Those segments will improve this year definitely will improve and also the retail financing companies now practically for example TVSCS Desikan can highlight you our collections are 100%, correct Desikan?

Gopala Desikan: The last four to five months there are no provisions there and we have been collecting the earlier made provisions also to that extent it is extremely robust.

K. N. Radhakrishnan: I think positivity through many qualitative measures we can look at it. It is very good for India. What we have to look at it is commodity increases. If commodity increases can also little bit, you know because it is not that we are seeing huge increases but keep on increasing prices will have some challenges, but I am pretty confident in the phase of TVS we have a range of products and range of customers and we can definitely grow much, much ahead of the industry so I am very optimistic about 2022-2023. Always this little caution of wave four, how is it going to be and vaccination is going to help us. Okay, so we all pray that let that be like wave three like Omicron no hospitalization so that situation comes I think we will see a great year this year.

Raghunandhan N L: Thank you Sir for the detailed answer? My second question was on the commodity inflation? How severe is the impact expected for June quarter? How much is the price hike and net of price hike what could be the Q-o-Q gross margin hit?

K. N. Radhakrishnan: I do not want to look at any shift on the gross margin. I think the way we have to look at this, there is a commodity increase. We are not able to pass on fully. Always there is a hedge between your own internal efficiencies and your own ability to look at the range and product mix and geography mix that is exactly the way we do. The good news is for us almost 35% of our income is from the international market, international market it is really, really doing extremely well so most importantly if you are able to grow your topline much faster I think that gives you supply chain efficiencies. It gives you an opportunity on certain brands to increase price. May be you can even pass on fully the commodity prices. The areas where the customers are not able to fully afford the price increase because may be partially in two to three installments so we have different, different strategies so I am not so much worried about commodity prices really, really putting us a headwind. I think it is a combination of, you would have seen our results. I think most difficult times we have given the best numbers and given lockdown not there and with existing models and with alternate countermeasures what we are looking at in semiconductor and the new products what it is today Raider and Jupiter 125cc, I am extremely positive about TVS Motor doing much, much better this year both in topline and in bottomline.

Raghunandhan N L: Thank you Sir. Desikan Sir can you please share the exports and spares number for Q4?



TVS Motor Company Limited
May 05, 2022

- Gopala Desikan:** Q4 what is the number you asked. No I did not get the question please?
- Raghunandhan N L:** Exports and spares Sir.
- K. N. Radhakrishnan:** Exports the revenue you are saying for Q4.
- Raghunandhan N L:** Yes Sir.
- K. N. Radhakrishnan:** Revenue is Rs.1899 Crores.
- Raghunandhan N L:** The USD INR realization.
- K. N. Radhakrishnan:** Rs.76/USD.
- Raghunandhan N L:** Wonderful; Spare numbers Sir if you have at handy? Sir like the supply issues which you indicated even in month of April how much could have been the production higher if not for the supply issues? That is my last question?
- K. N. Radhakrishnan:** Again I do not want to give a number. Raider was practically we could not produce any Raider I can say that. Whatever was there in the pipeline we were able to sell and Apache also significantly got affected. Sometimes one off this could happen in a month okay but that was very shocking, but despite that I think our numbers are very good so that also shows the pull in the market for the existing models so we have to manage between the existing models and the new models. Sometimes one off brands has got a challenge. We will find alternative solutions to all that.
- Raghunandhan N L:** Got it Sir and the spares number?
- K. N. Radhakrishnan:** Spares I do not have it straightaway. I will come back to you.
- Raghunandhan N L:** No problem Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Gunjan from Bank of America. Please go ahead.
- Gunjan:** Thanks everyone for taking my question. Just two from my side; firstly on this Norton I remember this release which you had put out of about Rs.1000 Crores investment what is the time horizon we are looking at and how much has already been invested and on the same ground investments when I look at this year, you all have invested about Rs.1400 odd Crores in the acquisitions or subsidiaries associates, when you look at FY2023 what are the

pending payments for acquisitions or how should I look at this investment number for next year?

K N Radhakrishnan: On the investment announced about 100 million pounds 40 to 50 million already been made leading to the creation of a world-class facility and imminent launch of some of the new products what we are products re-engineer products what we are planning to do this year okay and also this will be spread over five years and these investments will be towards electrification, cutting edge technology and world-class vehicles manufacturing, sustainability and future mobility, these are the areas we are looking at and I can promise you, you will see exciting range of products for the global market from Norton. This is on the first question. On the second question I already highlighted to you majority of the investments whatever we have done are giving us very good returns whether it is TVSCS, whether it is PT TVS, whether it is SACL and two of the e-mobility companies where we have acquired recently both are profitable. So, I think we are pretty confident that we are investing in the right segment and the right business and we are very confident about delivering good returns from these new investments going forward.

Gunjan: I was just trying to get a number if there is a ballpark number in your mind that this is what how we look at FY2023 capex plus investments when I do appreciate some of these are very strategic in nature, but you know generally trying to make sense of the amount of spend which will be made in FY2023?

K N Radhakrishnan: Capex next year will be about Rs.700 Crores including our future mobility area.

Gunjan: Investments any guidance?

K N Radhakrishnan: I do not want to give any guidance at this point of time, as you said it is all very strategic based on the future plans of the company, we will look at where to invest and the plan.

Gunjan: Okay and just quickly from my side on the financing penetration this quarter and if you are able to quantify the price hikes taken in January or in April that will help us?

Gopala Desikan: Overall penetration for 2021-2022 this quarter is around 58%.

K N Radhakrishnan: It has gone up substantially that is the confidence which is seen in the market, definitely you are able to see.

Gunjan: Okay, price hike Sir and then I will join back the queue.

K N Radhakrishnan: We have taken during this quarter I think it was around 1.5%.



TVS Motor Company Limited
May 05, 2022

Gunjan: Thank you so much.

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

Jinesh Gandhi: A couple of questions from my side. One is with respect to the Raw Material (RM) cost impact which we talked about so was there any materials RM cost inflation seen in post quarter or it was broadly stable?

K N Radhakrishnan: There is RM cost increase in this year Q1 as well and Q4 also we saw.

Jinesh Gandhi: Any indication of what was the inflation seen in fourth quarter and expected in Q1?

K N Radhakrishnan: Q1 not yet settled, because there is always a lag and there will be some negotiations which is going on, because last quarter increase itself is something huge you have seen 1.5% price increase and maybe uncovered is about another 1% so that will be there even the last six quarters of material cost increases whatever we have seen because you cannot immediately pass on all brands and every market so we have to look at a combination of product mix, geography mix and also leverage the revenue growth and of course thanks to the sustained cost reduction whatever we have done so that is the best way but what is most important is if you look at year-on-year we have managed our material costs very well even all the headwinds what we had last year okay, possibly little bit of better semiconductor availability in the last quarter and container availability in international market in Q2 and Q3 I think that would have helped a little bit more on the revenue side, so but these things happen; however, if you look at overall as a company highest revenue and highest PBT and Q2, Q3, Q4 we are able to hit a double digit EBITDA margin under very difficult situation.

Jinesh Gandhi: That is a very commendable performance in tough times, there is no two ways to that. Second question pertains to when I look at the consolidated performance, the auto component business seems to be having substantial pressure continuing to have PBIT losses so what is happening in that business, what are we doing to turn around that business?

K N Radhakrishnan: I already highlighted that when we started TVSCS it was also having a lot of challenges but it is today one of the best performers. This year the PBT itself is Rs.156 Crores which is outstanding and the book size is almost Rs.14000 Crores. I think we always invest in the right area same way PT TVS you look at PT TVS performance and you look at SSEL performance so and two of the investments whatever we made are already profitable last year so significant proportion of all the investments are profitable and there are new investments we have made last year. I am pretty confident that they are strategic in nature and they are going to give huge returns going forward.

- Jinesh Gandhi:** Are the losses in Auto Components business reflection of difficulty to pass through cost inflation to end customers, is that the main reason or there is something else there?
- K N Radhakrishnan:** I think markets have been very slow, all of us know that the markets have been very, very slow. I think the biggest challenge is this eight quarters of lockdown and country by country now look at China, now China is on maximum lockdown and many things are getting affected including containers so uncertainty and unpredictability definitely is one of the reasons where this last eight quarters, but last eight quarters this also tested the robustness of the company and I can be very humble and very polite in saying that we have done extremely well.
- Jinesh Gandhi:** Sure and can you share what percentage of auto component business revenues would be to third party?
- K N Radhakrishnan:** You are talking about SACL?
- Jinesh Gandhi:** Right.
- K N Radhakrishnan:** SACL, Desikan you have how much is outside, for 60% is for TVS or 40% is for TVS?
- Gopala Desikan:** As far as Sundaram Auto Components is concerned their dependency on TVS motor is around 40%, so slightly lower than 40%, the rest are only to outsiders.
- Jinesh Gandhi:** Okay, got it. Thanks for that. I will back in queue.
- Moderator:** Thank you. The next question is from line of Arvind Sharma from Citi. Please go ahead.
- Arvind Sharma:** Good evening friends. Thanks for taking the question. First question more on the quarter side, the realizations were little flat quarter-on-quarter and you say 1.5% increase so how do you tie up this thing?
- K N Radhakrishnan:** Primarily we lost some volumes in the premium segment due to semiconductor availability especially in February and March but I am pretty confident that the kind of countermeasures we have taken that will become better in this quarter of course April also we had some setbacks but I am pretty confident that May and June you will see the recovery there.
- Arvind Sharma:** Correct Sir. Second question we are already almost more than a month into the first quarter, how much do you think that the commodity costs have been deferred towards or will be lumpiness in the first quarter, is there any sense on that part?

K N Radhakrishnan: Commodity in my opinion has reached its peak and even in Q1 we have not settled on the commodity cost increases because the increase, the requests have been very high so still negotiations are going on and we have increased prices even in this Q1 so I am pretty confident that there will be a balance you will see going forward. I think once you see the availability of many ingredients for the raw material becoming smoother you will see a stable situation and equally this geopolitical situation easing out also will help going forward on the commodity prices so I am expecting maybe Q1, Q2 onwards you should see some settling down.

Arvind Sharma: All right Sir, one final question is on the customer side when you are selling your iQube how much do you think is the commonality between the potential buyers and iQube and something like a Jupiter and NTORQ is there any commonality in the target customer base?

K N Radhakrishnan: Since we have not given mass numbers, the numbers today we are averaging around 2500 per month sales and 2500 in these 33 cities we are seeing Techies buying this in the urban area. To answer you once we start selling 10000, 15000 per month for about six months I think we will be able to see how the total EV scooter to ICE scooter, how it is happening but my hypothesis there is scooter as a category today is 32% of the industry in ICE. I am very sure this will expand because more and more consumers will look at EV scooter, more and more consumers will look at scooter as a form, so I feel that both you will see change EV will continue to grow. I am giving my kind of prognosis at this point of time, but currently if I look at the type of customers they are all Techie customers who wants, the normal Jupiter type of customers we are just seeing now, you have to supply sufficiently into this market then you can see what is overlay of this type of customer.

Arvind Sharma: Got it Sir. Thank you so much for answering my questions.

Moderator: Thank you. The next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Thanks for the opportunity. Congratulations on a good set of numbers. I just want to go back apologies for this on the point raised by Pramod as well as Gunjan now we understand that when you make an investment you obviously have a three to five year view, markets may not be as patient so what would help us and maybe hopefully we will hear more on this is that maybe on Norton and maybe on the other businesses if you could come out and share some of your three to five year plan in terms of maybe capacity which geographies that will give us some comfort that okay investments are high, but that is fine like financial services has done and how Indonesia has turnaround these businesses will give us good returns in the future that was just some point that I wanted to make and hopefully like you mentioned



TVS Motor Company Limited
May 05, 2022

if Norton does start production this year hopefully we will hear some of your plans during the year?

K N Radhakrishnan: I can promise you the time what we took for TVSCS and PT TVS will be much more faster and agile.

Amyn Pirani: That is good to hear Sir. Secondly on the EV side as you move from around 2000 per month to say 10000 to 15000 a month on the two-wheeler side, do you think that the current format of distribution which is how you sell it in the current existing TVS showrooms would work or do you think you will have to create a slightly different format maybe a shopping shop or a separate distribution because the category while it is a scooter, it still has different nuances, would love to hear your thoughts on that?

K N Radhakrishnan: Absolutely. TVS iQube, the company we have also leveraged digital channels for vehicles booking and sales and completely digitally enabled purchase processes, test drive, booking, payments, seamless home charging, unit installations, providing truly hassle free experience so it is going to happen. In my view this could happen not only in India many parts of the world number one. Number two, this could also change some of the ICE distribution models as well so today I cannot give an inference that this is the model so we are experimenting both the models for example iQube is available through some of our existing dealers it is also available to the digital channel but I cannot give you in conclusion what is the proportion through the digital channels and how is going through that I think some more numbers maybe another six months when we start selling 10000 per month or 15000, 20000 per month I will be able to give with much more confidence, how it is panning out but I am very sure the new digital, the new ways of doing business will happen.

Amyn Pirani: Great Sir. Thanks for this. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Hitesh Goel from CLSA India. Please go ahead.

Hitesh Goel: Thank you Sir for the question. First question on the iQube right, your current bookings around 12000 but you are expecting to ramp production to 10000 per month do you have the chip supply to really get to these numbers anywhere in the second half of this year?

K N Radhakrishnan: Not even second half we are looking at in the first quarter itself how do we come to 10000 and in second quarter go much beyond that I am pretty confident, the most difficult thing we have got it right which is the acceptance by the customers and as I told you we have a range of new product launches also planned so we are planning to really launch go beyond



TVS Motor Company Limited
May 05, 2022

10000 in the second quarter and beyond whatever number so we want to really have a great year on EV ramp up and EV sales this year.

Hitesh Goel: Just to clarify this is 10000 per month capacity or 10000 per quarter?

K N Radhakrishnan: 10000 per month now we are looking at, so I want to hit 10000 definitely by June.

Hitesh Goel: Why is the bookings only 12000 just wanted to get a sense.

K N Radhakrishnan: We do not want to have customer dissatisfaction beyond the point when somebody books it. If I open my booking there are enough people who love this product, we have restricted this 33 cities also one month we reach 10000 then we will ramp it much faster okay.

Hitesh Goel: You are planning to get to all over India right which will happen by end of this quarter?

K N Radhakrishnan: 100% all over India and we will also start some international markets.

Hitesh Goel: Okay and Sir my second question is on export side, can you give us some color on what is happening on the export side because all the oil prices have gone up right, but there is inflation also which is on the food prices which could affect consumption right so can you give us some sense on how you see demand especially in Africa on the export side, what is happening there, can you give us some color?

K N Radhakrishnan: Exports that we see very good growth and what is helping us is our product range and the kind of customer satisfaction we have on HLX Series or on Apache or even Raider whatever we have launched or NTORQ or the new Jupiter 125 also small numbers we have started giving and the three wheeler side I think Africa market is doing extremely well for us and I agree the challenges on inflation is across the globe this year and the positive thing is the political stability and availability of currency, they are all helping and crude oil prices are somewhere on the higher side this year.

Hitesh Goel: Just to rephrase, so is TVS gaining market share in Africa and Latin America or the market is also expanding?

K N Radhakrishnan: Both, markets are expanding and we are gaining significant market share in every market where we operate.

Hitesh Goel: Great. Thank you very much.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: I just wanted to understand your thoughts on the strategic initiative in the mobility space and global motor biking space as well what are the ambitions, how do you think about acquisition and will there be more such strategic investment that you intend to do going ahead, also how are you planning for management bandwidth to look at some of these new areas and new geography?

K N Radhakrishnan: EV and future mobility this is something definitely going to happen and we have embraced the change and that is why we have invested in TVS Motor as well as we are also looking at such strategic investment so these strategic investments, so the strategic investments are based on looking at global market and opportunity because we feel that there is a great opportunity for TVS to leverage anything related to future of mobility, so we have a very strong plan and we look at constantly on this area and on teams for example we have a separate team on Norton, the separate team on SEMG and this year we have a separate EV team more than almost 800 engineers, managers and especially in certain areas like software and electronics we are strengthening with the lateral hires, so we always believe in putting a very strong team and investing in R&D and facilities because most important is the belief that, what I told earlier to Pramod, Aatmanirbhar Bharat means it is also designing and developing and partnering with many, many suppliers and global partners who are best in class so we always do that those partnerships are helping us plus the kind of resources what we have invested in and we always do that.

Kapil Singh: So, does this mobility is a very broad term, does this include four wheelers also if there are opportunities or will you be restricted to two-wheelers some thoughts around that?

K N Radhakrishnan: Now it is two-wheelers and three wheelers.

Kapil Singh: Okay. Secondly, I just wanted to ask on PLI how will the accounting work, would you be booking on a accrual basis or when we receive the cash flows Desikan Sir, if you can help us?

Gopala Desikan: Not clear on question please, what was the question I could not get that?

Kapil Singh: The PLI incentive, will you be booking on a accrual basis or you will be booking because cash flow as per the government notification will take place, they will pay after one year right for FY2023 they will pay FY2024 so I just want to understand how will the accounting work, will it come in your P&L in FY2023 only or you will book when you receive the cash flow next?

Gopala Desikan: We will be conservative in our approach and we will account it based on cash flow basis funding.



TVS Motor Company Limited
May 05, 2022

- Kapil Singh:** Okay, thank you. That's it.
- Moderator:** Thank you. The next question is from the line of Pramod from InCred Capital. Please go ahead.
- Pramod Amthe:** This is with regard to again the EV opportunity in India considering your moped presence and also the number of acquisitions you are doing internationally, how do you see a low-speed two-wheeler opportunity in India, what is the market size as per you and what it can grow and do you see a role for TVS to play in the low-speed two-wheeler?
- K N Radhakrishnan:** Definitely customer segments will evolve when we started moped we found that there are set of customers in the bottom of the pyramid they wanted to carry load and they want to earn income so today moped is carrying something like 100 to 150 kgs of either agricultural produce or milk or whatever and it is used for earning everyday income, okay, so I think we have to closely look at what is this type of application and what is the type of customer segment and then decide I cannot give a generic answer at this point of time, we are studying very deeply customer segment by customer segment and I can promise you every customer segment in the EV space we will have a product.
- Pramod Amthe:** Any estimates based on your studies what is the market size because as they have not registered?
- K N Radhakrishnan:** Too early.
- Pramod Amthe:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraint that will be the last question for today. I now hand the conference over to the management for closing comments.
- K N Radhakrishnan:** Thank you for being on the conference and stay safe and we are all hoping that even if some wave of COVID comes it will be like wave three and it will not lockdown the country and all of us and we will see that the economy will do well in India and we want the rural with a very good monsoon should do well for this year, so overall with the kind of new product whatever we have launched Raider and Jupiter 125 and the portfolio of products what we have starting from Apache, Jupiter, NTORQ, Star Range, HLX, Radeon and TVS King and now TVS iQube I am pretty confident that we will grow ahead of the industry both in domestic and international and our sustained cost reduction initiative, products mix, geography mix this strategy will definitely help us to go beyond now the double digit



TVS Motor Company Limited
May 05, 2022

margin whatever we have clocked quarter after quarter in the last three quarters. Thank you and thank you very much.

Moderator: Thank you very much. On behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.