

25th October 2024

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

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

Dear Sir(s)/ Madam,

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

In continuation to our intimations dated 16th October 2024 and 23rd October 2024 with respect to the schedule of a conference call with M/s. B & K Securities post results for the quarter ended 30th September 2024 and intimation on the audio recording, respectively, we wish to inform that the transcript of the said recording is enclosed and the same has been hosted on the website of the Company and is available at:

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

We also enclose the said transcript for your reference.

Kindly acknowledge the receipt.

Thanking you,

Yours faithfully

For **TVS MOTOR COMPANY LIMITED**

K S Srinivasan
Company Secretary
Encl.:a/a



“TVS Motor Company Limited
Q2 FY '25 Post Results Conference Call”

October 23, 2024



MANAGEMENT: **MR. K N RADHAKRISHNAN – DIRECTOR AND CHIEF EXECUTIVE OFFICER –**
MR. K. GOPALA DESIKAN – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the TVS Motor Company Limited 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 the 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, Steve. Welcome to TVS Motor Company 2Q FY '25 Post Results Conference Call. From TVS Motor Company Limited management, we have with us today, Mr. K. N. Radhakrishnan, Director and Chief Executive Officer; and Mr. K. Gopala Desikan, Chief Financial Officer. 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, sir.

K. N. Radhakrishnan: Good evening. Good evening, everyone, and thanks for joining us today. First of all, I would like to give all of you and your family good festive season's greetings, good Diwali, and great success during this year. Now during Q2 quarter, company continued its growth trajectory and posted the highest quarterly sales, both in ICE and the EV, both revenue, EBITDA, and profit.

Recorded highest ever revenue of INR9,228 crores, with a growth of 13% over last year Q2. Recorded highest ever operating EBITDA of INR1,080 crores, with a growth of 20% and margin improved by 70 bps from 11% during Q2 of last year to 11.7% during this quarter. We have achieved the highest PBT of INR897 crores, registering adjusted growth of 24% over the last year.

Please note that we have not considered PLI even in Q2. And all these achievements were possible because of the continued improvement in the sales, sustained cost reduction initiatives. Now let me get into more details about second quarter.

The two-wheeler sales, ICE grew by 14% compared to Q2 of last year as against the industry growth of 10%. The two-wheeler international market, company sales grew by 16% over last year. Two-wheeler ICE sales grew by 15% compared to Q2 last year as against the industry growth of 11%. EV two-wheeler, have increased to 31%, 75,000 comparing 58,000 during last year quarter 2, this is the highest we have done on EV.

Total sales of three-wheelers was at 38,000 during this quarter of Q2. During the quarter, the company's operating revenue grew by 13% and we are at INR9,228 crores as against the last year's INR8,145 crores.

On profit. During the quarter, company registered highest ever operating EBITDA of INR1,080 crores, with a growth of 20% as against EBITDA of INR900 crores during last year's Q2. Company's operating EBITDA margin improved by 70 bps, 11.7% as against last year's 11%. And all of you know that sequentially, we are improving our EBITDA and EBITDA performance.

Company posted the highest ever PBT of INR897 crores, recording a growth of 24% this quarter as against INR724 crores in the second quarter of last year. PBT for this quarter included fair valuation gain of INR23 crores as against last year also in Q2, we had a fair valuation gain of almost INR38 crores. Please note again, we have not considered PLI during this quarter.

Profit after tax grew by 23%, INR663 crores as against INR537 crores during second quarter of last year. H1, the company's operating revenue has grown by 15%. We are at INR17,604 crores as against last year's INR15,363 crores in the first half. PBT for the first half, it grew by 26%, INR1,680 crores as against INR1,334 crores. Profit after tax grew by 23%, INR1,240 crores as against INR1,004 crores during the first half of last year.

I'm very happy to say about TVS Credit. We have added over 2 million new customers in H1. Cumulatively, TVS Credit has served over 16.5 million customers till date. The book size is 26,652, grown by 13% over last year's quarter 2. The company continues to maintain a strong growth momentum in disbursement, primarily driven by the increase in distribution reach supported by growth in consumption and increased penetration.

As part of its ongoing risk management and portfolio optimization, the company has taken proactive steps for further strengthened credit norms, ensuring sustained portfolio held amid evolving market conditions. For this quarter, the PBT grew by 20% at INR216 crores as against last year's INR180 crores during Q2 of last year. And if you recollect, Q1 this year was INR187 crores.

Apart from serving two-wheeler customers, TVS Credit is one of the leading consumer and they are also servicing consumer durables, mobile phone financing. It has a fast-growing footprint in used car loans, tractor loans, used commercial vehicle loans, then unsecured loan powered by robust new-age technologies and data analytics. So overall, it's a very good book portfolio mix we have.

On new product launches, I'm extremely happy all of you know that the all-new TVS Jupiter 110 with an unparallel design, performance, comfort and convenience, we have launched just before the season, doing extremely well and all-new TVS Jupiter 110 exemplifies the essence of zyada, more style, more mileage, more performance, more comfort, more convenience, more safety and technology.

It has come with a reimagine design exemplified by this infinity lighting bar, premium piano black contract panels and modern profile. And it comes with an iGO Assist offering torque on demand and improved dual efficiency, comes with many first and best-in-segment features that elevate the experience. Dual helmets under the seat storage, front fuel filling, spacious floorboard and better space, superior braking with roto petal disc brake, turn signal lamp rest, emergency brake warning, hazard lamps, and I can keep on highlighting many, many features.

It is receiving very good response from the market across India and from day one.

All new TVS Apache RTR 310, the flagship offering in the super premium, sport motorcycle category, two variants. One is build-to-order customized option, okay? We have very good

response. And this has got impressive combination of the aerodynamic design, performance, and agility.

We also added a new variant in TVS Ntorq 125 lineup, widened its base with a trip of vibrant striking color option. I think I'm very sure you would have seen the new blue, the new gray, okay? And I'm sure that is also attracting many new customers during this season. The Ntorq Race XP has launched a matte black special edition that combines multiple textures on black, ranging from matte and glossy piano black.

As I told you, I think we always believe in giving best to the industry, best to the customers. Now when we look at Q3, I think during season, so far, we have seen an overall growth of 4% in the industry. During Navratri, it was around industry grew by 11% and TVS has grown significantly better during this season.

Now we are all looking forward to the next one week, including Dhanteras, okay? And we are very positive about the festival for TVS. The ongoing festival season, we have started with a positive note, and we are pretty confident that we will grow much ahead of industry.

And I always believe that this year, we started off well. Q2, there was a little bit of slowdown expected. Q3, I'm expecting the industry should be doing well. There are some, what we call, challenges we see. But I'm pretty confident that the good monsoon, good reservoir, I think that is likely to support the industry, okay? And we can expect good momentum to continue for TVS.

On EV, I would like to sincerely thank the government for the PM E-DRIVE scheme. They have given a very clear 8-quarter plan that is going to help the industry. And it provides seamless transition from earlier EMPS scheme. And they have very clearly, government has demonstrated that it intend to provide a long-term support for EV program, and this visibility of 2 years is going to help everyone.

And EV will slowly and steadily grow. If you look at the penetration, it's slowly going up. It is already around 7% in Q2, so overall the penetration of EV. iQube has established very strong brand in the EV segment with its technology and the features and best-in-class quality.

During the first half, the company introduced new variants to the iQube portfolio from making the electric mobility accessible to everyone. We have now three battery options, depending upon the customer usage and the range, one with 2.2 kilowatts, then 3.4 kilowatts and 5.1 kilowatts, okay? The entire portfolio is getting a good response.

Our sales during the second quarter grew by 31%. We did 75,000, which was the highest number. And we are very confident that we will grow better than the industry going forward. As you are aware, we are well planned for the product line-up for electric mobility. You will be witnessing some more launches during this financial year.

We are exporting TVS iQube to few ASEAN and Asia countries. As you know, it will take time to establish because we have to start, and the market has to be ready. We strongly believe that

India will emerge as a major export hub for EV two-wheelers, and TVS will play a very, very important role.

On the continuous improvement in the EV supply chain and infrastructure, we are confident that we will continue to be a strong player in the EV segment. Like I promised, you will see our EV three wheelers soon in the markets. On international markets, we are witnessing improvement in retail, higher than the industry for TVS.

Challenges in Red Sea have continued in the current quarter. The transit times have increased. But the timely availability, which got affected, we have taken countermeasures, which is also helping us. The African markets are still facing some challenges. However, given the base effect, what we are seeing quarter-on-quarter, we are seeing growth. We are performing better than the industry. And we are pretty confident that we will be able to do much better going forward.

Our HLX 125 5-gear is doing very well in the market. This product offers much better features, and they are powerful yet efficient, received very positive response across the market wherever they have launched.

LATAM, we have started doing well. And there is also a market which is growing, okay? We have taken many actions on network expansion, brand building activities, and we are able to gain volumes much faster than the industry, okay? We are very small in LATAM, but we are very confident that we will have great opportunity in LATAM going forward.

In Asia, the markets are doing well. Nepal and Sri Lanka started well. Of course, all of us know that there are some challenges in Bangladesh, but we are confident that over a period of time, that market also will start coming back.

Middle East is another area. We are confident that also will do well. There are some challenges on local currency depreciation, increase in interest rates, which is also affecting some challenges on the industry. We have taken enough actions to improve our retails, and we are pretty confident that this is also one market where we can have great opportunity.

Now we have continuously improved on EBITDA quarter-after-quarter sequentially. Very, very happy that the portfolio, the customer delight, and the timely new product launches are helping us in a big way. We are growing ahead of the industry. We are confident that the company will continue to leverage its growth, better product mix and sustained efforts on quality, the cost reduction initiatives. Definitely, we are confident that we will improve profitability going forward.

Please remember, we are investing for future. We are investing behind electric. We are investing behind software, investing behind digital. That is also one of the reasons why our employee cost is higher. But these are all for future. We are investing in new products. That is also a reason our depreciation is much higher than the industry, while we are managing the quarter, most important is investing for future in product development, in technology and having capable people for future.

On Q2, we are extremely happy, okay? We were able to deliver the best in turnover, best-in-class EBITDA and PBT. We have best-in-class products. We have unwavering focus on our consumer along with our strong portfolio of brands like Apache, Jupiter, Jupiter 125, iQube, Raider, Ntorq, StaR range, HLX, Radeon, TVS King and TVS Ronin.

We will grow ahead of the industry. And we are happy that in the last 5 years, company has moved significantly on EBITDA. We are at 11.7, and I'm pretty confident that we will continue to improve our EBITDA journey. Thank you. Thank you very much, and once again, seasons' greetings.

- Moderator:** The first question is from the line of Chandramouli Muthiah from Goldman Sachs.
- Chandramouli Muthiah:** Congratulations on the favourable response to the Jupiter 110cc. First question is just product related. I think while Jupiter and Ntorq have had a good start to the festive season and good volumes for previous quarter. It appears that Raider 125 in the sports category seems to be moderating a little bit. So I just want to understand, is there any production-related issue there? Or are we considering sort of repositioning the product in light of recent competitor events?
- K. N. Radhakrishnan:** Raider is a great brand. I don't see any challenges in Raider. We are pretty confident of the portfolio on Raider, and this is a brand which will do extremely well going forward. We are pretty confident on that.
- Chandramouli Muthiah:** Got it. That's helpful. Second question is on just festive season comments you made earlier in the prepared remarks. I think you mentioned that so far industry festive volume growth on your estimates is 11%. But you also mentioned sort of 3Q volume growth, I think it was 4%. I just want to understand where there is a contrast between those two numbers?
- K. N. Radhakrishnan:** No, during the first nine days, we have seen a good growth. But after nine days, there are a few days now, there is a bit of slowdown, around 4% is the industry growth. So, I'm pretty confident that next one-week things will be improving. We have Dhanteras, we are all looking forward to that, okay. I am pretty confident that what is most important that TVS is doing extremely well, much, much better than the industry. Thanks to our portfolio and thanks to all the customers who are supporting.
- Chandramouli Muthiah:** Got it. That's helpful. Just lastly a clarification on the export and the spares revenue for the quarter, please?
- K. N. Radhakrishnan:** Spares is about INR930 crores and exports revenue is INR2,229 for Q2.
- Chandramouli Muthiah:** Got it. Thank you very much and all the best.
- Moderator:** The next question is from the line of Pramod Kumar from UBS. Please go ahead.
- Pramod Kumar:** Thanks a lot for the opportunity. Sir wanted some more detail on the investments you're doing on the employee side because the reason why I ask that is, your employee cost is a good 25%, 26% higher than Bajaj, and just around 10%, 15% lower than Hero. And that given the size of

the company in terms of market share and revenue, it's a significant investment what you're doing in the future.

And you alluded to that in terms of software, EVs, other technologies. So, if you can just help us understand how much of the current employee bill, is roughly targeting towards these advanced investments, and what's the kind of IP what we've built within the organization? Because the choice is either to do it yourself or outsource it. So clearly your intention seems to be doing everything in-house in terms of lot of technology.

So if you can just help us understand, because all this will kind of pay out in the future in terms of benefits, right? So if you can just help us understand how much is the steady-state ongoing legacy business expenses and what kind of investments which is going on the employee side?

K. N. Radhakrishnan: So, first of all, Bajaj, and Hero, they are all role model companies, and I respect them as great competition, And I don't want to compare with competition. As TVS Motor, we have a strategy that we want to design, develop, and invest many of the technologies in-house. And last quarter also I highlighted that we have almost 250 software people and have about 250 digital.

These are all assets where we have added to really, really look for the future, because you know the future is going to be electric, future is going to be many new technologies which are likely to come. So, we have to invest. We have to build that capability, and we have invested in that. And we will continue to invest in areas where future customers are going to look at us because we are completely focused on how the transition is going to happen in the industry.

Pramod Kumar: Sir, any quantification as to how much of the wage bill is towards the advanced investments or towards software, digital?

K. N. Radhakrishnan: We don't look at it that because these are all investments. When you look at the investment, I am very confident that this will pay back, will definitely pay back. Getting good quality resource is most important for us at this point of time. And 500 people we have added, I have given you the quantification.

Pramod Kumar: And sir, with the kind of investments which you are making which are way out of the industry, you are still confident on maintaining the margin momentum going forward?

K. N. Radhakrishnan: You have seen last several quarters we have been meeting the margin expectation, Our strategy continues. We want to give best to the customer. We want to focus on customer delight. You see the current Jupiter 110; you see the feature. We will continue to delight the customer. That is strategy one. We want to grow the top-line ahead of the industry. And we will sincerely work on how do we improve the margin. Customers, volume, product mix, growth, cost reduction, I think these are all consistently we will look at and we will work on.

Pramod Kumar: Great to hear that. Sir. On Jupiter, I believe it's a very big hit. Currently probably the only two-wheeler model which waitlisted in the market. So what is the plan there to up the capacity? Because I know we kind of take our own time to increase ramp-up of capacities, look at demand how they settle, but this clearly seems to be a standout product in terms of what's doing in the

market and what are you hearing from TVS and even the competition dealers. So what is the plan there on capacity? Where are we today on 110 capacity and where you expect it to be ramped up in the near-to-medium term?

K. N. Radhakrishnan: Capacity is not a problem. I think what is most important is customers are delighted, that we are not able to fulfil the total demand in the market, but we are very happy that customers like it, customers wanting it. And Jupiter is a great brand. You have 110, you have 125, it's a great brand and we are very happy. We are able to delight the customer and build this brand, we are extremely happy.

Pramod Kumar: Fair enough. Sir, the final question is on the subsidiary performance to Desikan and to you as well. If you can just share on the TVS Credit, is there anything which you received from RBI in terms of inquiry on the IRRs what you're charging because there have been such moves with other NBFCs and there's a concern on whether interest rates will get capped. Anything if you can share there?

And also in terms of the breakup of the book as to how much of the book is currently towards the auto loan, TVS products, and what is the broader classification or breakup of the loan books are? And any numbers on ROE, ROA, if you can share there? And finally, update on the European subsidiaries. How is the cost control there going, what's the kind of a reduction in losses what we're seeing there and any investments which are expected which are not already kind of budgeted for? If you can share that color, sir. Thank you.

K. N. Radhakrishnan: So once let Desikan give you a color on TVS Credits. It has done extremely well. And the way the portfolio has been growing and how each segment has been growing, amazing journey.

K. Gopala Desikan: Yes. As far as TVS Credit is concerned, as explained earlier, there is a 13% year-on-year growth, and we are at INR26,600 crores is the book size now. The net worth of the company as of 30th September is INR4,487 crores. And the capital adequacy ratio is around 19.1%, much higher than the statutory required percentage.

And the cost of funds is also at a very, very competitive level at 8.03%. The PBT for the quarter is INR215 crores as against the comparable INR180 crores. As far as two-wheeler related concentration is around 27% of the overall 27% to 28%...

K. N. Radhakrishnan: But here also it is steadily coming down, which means the used car, tractors, CD, consumer durable, MSME, many other areas where we are investing, that is growing much faster.

K. Gopala Desikan: Yes. We have a very diversified portfolio now. And second is even the credit price interventions are there. So, we are extremely careful. Otherwise, we would have grown much ahead also, INR26,000 crores, we would have crossed INR27,000 crores also. The credit interventions and credit appraisals we have tightened. So, the disbursals also less to that extent. This is about doing very well, and this is about TVS Credit service.

Pramod Kumar: And on Norton...

- K. N. Radhakrishnan:** Yes. You had a question on Norton. Please understand. Again, last time I told you that we are investing behind a portfolio of product complete design development, and that is happening. That's why I said, it will take another 6 quarters for the product to be available in the market, okay? And these are going to be brilliant products, and you will see products from ' 2026, okay, which in our financial year, 2025-26. For Norton, it is 2026.
- And what is most important is this is a great brand, and it's a super-premium. And this is going to definitely, definitely help us a new segment, new developed countries as our market. And definitely, we'll be also looking at India. I did give you the kind of briefing last time. And we will continue to invest for the product development at this point of time.
- Pramod Kumar:** Fair enough, sir. Finally, EV revenues, have you shared it in the opening remarks if I missed it?
- K. N. Radhakrishnan:** Which one?
- Pramod Kumar:** EV revenues, revenues from EV during the quarter?
- K. N. Radhakrishnan:** I said EV overall number is about 75,000.
- Pramod Kumar:** The revenue number, sir if it is handy?
- K. Gopala Desikan:** We need to check and come back.
- Moderator:** The next question is from the line of Jinesh Gandhi from Ambit Capital.
- Jinesh Gandhi:** A couple of questions from my side. One is you refer to you are seeing some challenges in the domestic market. Can you elaborate on that? What are the challenges that are visible on the ground currently in two-wheeler business?
- K. N. Radhakrishnan:** Challenges, I can't say challenges. I think there are great opportunities in the two-wheeler market. Like I told you last time this is the first time we are seeing a good response from the rural market, Maybe quarter 2, we saw a little bit slow overall industry. But during Navratri, we have seen pick up, I am expecting a good Dhanteras period, okay? And the rain is going to be good this year, monsoon is going to be good this year. So, the reservoirs are going to be having.
- So, I'm of the view that after a long time, we are going to see rural growing. Urban is also growing, okay? And a good growth rate we can always expect, about 6%, 7% -- 7% to 8% kind of a growth rate you can expect in the industry. And you know, TVS has got very, very strong brands, and we will outperform the industry.
- Jinesh Gandhi:** Okay. 7%, 8% is for FY '25 or for the festive season?
- K. N. Radhakrishnan:** No, no, I don't want to give festive season. We are working for quarter-wise.
- Jinesh Gandhi:** 7%, 8% in third quarter?

- K. N. Radhakrishnan:** That is the way we have to look at it. I think industry will definitely do well, 7% to 8% is a good growth rate.
- Jinesh Gandhi:** Yes, it's very good growth rate. It's for the third quarter?
- K. N. Radhakrishnan:** Yes.
- Jinesh Gandhi:** Got it. Secondly, we have seen drop in our realization on a sequential basis. Is there any one-off to call out for that drop?
- K. N. Radhakrishnan:** I told you we introduced the single pack on EV, The iQube 09, what was launched in the market with a lesser price. It is only single pack. So correspondingly, we also kept a lower price, Because there was a lot of competitive intensity in the market. Because of that, there is a slight reduction in the realization.
- But I'm not so much worried about the realization. Because we will do well. Overall, we have to look at are we growing ahead of the industry, and we are doing ahead of the industry, and we have a very good product range. And please look at our contribution also. We have been growing steadily.
- Jinesh Gandhi:** Yes. Undoubtedly. And staff cost increase on Q-o-Q, you mentioned about software charges as investment for the future technology. But is there any ESOP related provisioning in this quarter or that will come in future quarters?
- K. N. Radhakrishnan:** There is a provision of about INR11 crores to INR12 crores towards that ESOP.
- Jinesh Gandhi:** Okay. Got it. And lastly, with respect to the e-bike business in Europe. So, some of your peers have indicated severe stress in the e-bike businesses and they have undertaken impairment. How is our e-bike business doing? And do we need to take any impairment there?
- K. N. Radhakrishnan:** I'm not able to hear, a little bit louder your voice. Can you repeat the question?
- Jinesh Gandhi:** The electric cycle business in Europe, some of your peers have indicated severe stress in the European business for e-cycles and they've taken impairment for e-cycle business in 2Q. So, are we seeing similar stress on the ground? How is our e-cycle business doing? Do we need to take any impairment there?
- K. N. Radhakrishnan:** You are asking about e-cycle business?
- Jinesh Gandhi:** Yes, yes.
- K. N. Radhakrishnan:** E-cycle business. First, I want to say that all of us know that Europe is going through some stressful conditions in the economy, So, when the economy goes through some difficult conditions, we have to be a little bit patient. And I'm very confident that this is a big opportunity in e-bike, and we are looking at how do we cut down the cost, how do we make sure that the customer gets the best product.

- K. Gopala Desikan:** There is no need for any impairment-related provisions. We are very confident about that business and the future. And also in this period, we have used the opportunity to reduce our inventories. We have generated cash out of the working capital during this period. And therefore, we don't foresee or need for any impairment-related provisions.
- Jinesh Gandhi:** Fair point, fair point. And lastly, working capital in the first half was about INR838 crores. For the full year, we still maintain INR1,000 crores to INR1,100 crores of capex?
- K. N. Radhakrishnan:** For capex, we gave you the last time, the numbers are...
- Jinesh Gandhi:** INR1,000 crores to INR1,100 crores is what you had indicated, but first half is already...
- K. N. Radhakrishnan:** INR1,200 crores to INR1,400 crores, that is the range we gave last time. That still holds on.
- Moderator:** The next question is from the line of Sakshat
- Sakshat:** Congratulations on the success of Jupiter. Sir, I have two questions. First on exports, sir. Like, what we are seeing is probably Jupiter volumes in the last quarter, sir exports have dropped significantly. Is it because we are seeing very good demand on the domestic market, and we are facing capacity constraints. That's why we have reduced the demand -- reduced the supply on the exports market? Or is it some country-specific challenge where we are facing some constraints?
- K. N. Radhakrishnan:** See, there are no issues on the retail to the customer. These are things we keep looking at. We are one company who looks at only the end customer retail. To me, billing is only a checking point. So if the customer retail happens, automatically will happen. And depending upon sometimes season, you have to give a little bit more. There are some auspicious days. So I think the operational team along with the sales team, they take the decision.
- Sakshat:** And sir, like this LATAM market where we are targeting higher exports, which can be a higher growth segment for us. Sir, there basically, what are products will we be exporting? Will it be ASP accretive in terms of our overall exports mix?
- K. N. Radhakrishnan:** Overall exports mix, all the products, all the products from India, and we are also leveraging some of the products from Indonesia.
- Sakshat:** And sir, one question on margins, like one of our competitors has called commodity inflation of 50 basis points on a quarterly basis in a con-call. Did we see any commodity headwind and like our gross margins have still only declined by 10 basis points, even though iQube share has mixed and there has been commodity headwinds. So have we taken any price hikes? Or is it more of value engineering and mix?
- K. N. Radhakrishnan:** No, no. I think point 1, point two are, in my opinion, nothing to be worried about here. It could happen both ways. There are no significant challenges we have seen. And quarter-to-quarter, we have only done well. And last year to this year, you look at our material costs, we have significantly improved on turnover, almost 2.6%. Last year was 74%. This year is 71.4%. And

if you look at Q1 to Q2, again, there are no major surprises. Point 1 here and there will be there. But that is not a big issue.

- Sakshat:** And sir, just one last question on TVS X. When can we expect volumes from TVS X?
- K. N. Radhakrishnan:** TVS X, we have started. But as you know, it is a very super premium product. You will see over the next quarters, you will see much higher volumes you will see PAN India.
- Moderator:** The next question is from the line of Aryn Pirani from JPMorgan.
- Aryn Pirani:** Sir, my first question is on the recent refreshes that you have done on the Jupiter and the Radeon and the Raider. And like you mentioned, you are giving more value to the customer. With extra features, it looks like that in some variants, the prices are similar or maybe even slightly lower. So my question was that are you seeing some restraint from the customer in terms of the price points. And related question is that are you seeing any price competition in the market from other players in terms of headline discounts during this festive period?
- K. N. Radhakrishnan:** Are you happy on the gross margin improvement of the company?
- Aryn Pirani:** Sir, I'm very happy, but I'm just asking as to whether the...
- K. N. Radhakrishnan:** We have to look at it that way only because what we have to look at is on a portfolio basis, we should not look at it like that, you should look at totality. All businesses together, are you growing your contribution quarter-after-quarter. It's a combination of country, product, brand, pricing. We want to give good value to the customers, good features to the customer at an appropriate price. We don't discount. Definitely, we don't discount.
- And we want to grow, like I said, first is customer, customer, customer. Second is growth ahead of the industry. Equally, now we have started quarter-after-quarter looking at and improving the contribution and profitability without compromising on investment for future, whether it is people, whether it is product, whether it is technology, we don't compromise at all. Because future is very, very important. While you are looking at this quarter, I think we work for the future.
- Aryn Pirani:** And sir, speaking of margins, I just wanted to get a sense as to like, is there a time line by when you think that you want to start recognizing the PLI. I mean, is there a certain milestone that you're looking for? And the reason -- any reason why you're not taking started to take it yet?
- K. Gopala Desikan:** See, we are working on a very clear revenue recognition policy for PLI. Based on that policy, the revenue will be recognized going forward in the most prudent and in the most compliant manner. You will expect a clear recognition of this going forward.
- K. N. Radhakrishnan:** For benefit of clarification, all our products are certified, and they are meeting the eligibility criteria.

Amyr Pirani: And sir, lastly, on the EV side, just in terms of directionally, could you give some color on how are the gross margins or EBITDA margins or any period by which you expect EBITDA breakeven? Or how are the trends moving in terms of profitability? If you can give some color?

K. N. Radhakrishnan: We are positive on contribution. We are extremely happy the customers are supporting us. We have a range of products in iQube. We are also coming up with new models for looking at various customer segments. Again, customers grow the top line. We are pretty confident that the bottom line will come. Whatever investments we are making, like I said last time, whether it's in software, whether it's in technology, whether it's EV technology.

All these are going to help not only EV portfolio, the entire portfolio of the company. So this is an investment for the future, and EV will grow. And I won't be able to put a number. But my hypothesis or our hypothesis is very simple. You invest today so that you can get the benefits. It's exactly what we have done in TVS Credit, exactly what we have done in Indonesia.

Today, it is doing extremely well. Same way EV will do extremely well. We don't look at when it is going to happen, but we are happy it is moving in the right direction.

Amyr Pirani: That's good to know sir. Thanks a lot and all the best.

Moderator: The next question is from the line of Gunjan Prithyali from Bank of America. Please go ahead.

Gunjan Prithyali: Hi, thanks team for taking my question. Just quickly, before I get to questions, I just wanted to recheck the numbers. The 4% growth that you mentioned earlier is for the entire year since the beginning of the festive period, right? Is that understanding correct?

K. N. Radhakrishnan: Yes, festive period last year to this year, but during the Navaratri 9 days, industry grew by almost 10% to 11%.

Gunjan Prithyali: Okay. Got it. And 7% to 8% guide that you're giving is for the third quarter?

K. N. Radhakrishnan: Yes, that is industry our expectation and we will do much, much better than the industry.

Gunjan Prithyali: Okay. Got it. Okay. Just now moving to the questions. On the EV business, could you just talk or give us a little bit more insights into how should we think about capacity ramp up? Because clearly, there's a lot of effort you are putting to put iQube to more dealerships. If you can give us a little bit update on capacity and how much touch points or dealerships, we have covered in markets we have covered.

And in continuation also, sir, if I remember, you've taken that call, you don't want to aggressively discount or participate in price discounting, but we have tactically started to do that in recent weeks. So I'm just trying to understand is there any change in the strategy around the EV business? Are we okay to now compete from a pricing perspective also? So just more on how we are thinking about the business.

K. N. Radhakrishnan: See, TVS iQube is a great product and the customers are happy. We are very systematically building the capacity on manufacturing. We have enough capacity. And even whenever we want

to increase the capacity, it's a question of about 3 months, okay 3 months, 90 days is not a big period. On dealer network, we have now all about 750. We are also now increasing that very systematically month after month on a number of dealerships in India.

We have started small exports because you have to see it in many markets. It may take a little time, but we are happy we have started exporting that to ASEAN market, some of the Asia markets and I'm pretty confident that the initial feedback are positive, while the numbers are very small.

And like I said, we understood customer segments are there. That is why we gave a single battery pack with 2.2 so that at a special pricing point. We always believe in not playing the discount game but giving the value game to the customer. And that strategy will always remain for TVS.

Gunjan Prithyali: Okay. Got it. And maybe just very quickly on this. You said the dealership of 750. This is are we doing entirely exclusive, or we are now...

K. N. Radhakrishnan: No, from day 1 we are giving it to our ICE dealerships only.

Gunjan Prithyali: Okay. Got it. And the other question around EVs was on the affordable EV launch that we've been talking about. Are we looking to do that in fiscal '25? Any timelines around that?

K. N. Radhakrishnan: I never said affordable EV launch. I said there is a new product which is going to come to a customer segment, just to clarify that will come in this financial year.

Gunjan Prithyali: Okay. Got it. And just second question on the export market. Now clearly, there's been good pickup you've started to see in export front. If you can just give us a little bit color on how our geographic mix is, how much comes from Africa LATAM just the geo mix, some color?

K. N. Radhakrishnan: I think Africa is the biggest market for us. Next is, now we have started, of course, Middle East is there, Asia is there. Some markets in ASEAN is there, but Africa is the biggest market for us. And Africa, according to me the bottom we have seen, now it is all about how it is likely to grow only because it has gone through a lot of challenges in terms of currency depreciation, availability, inflation.

So we are of the view that you will see improvements because these are all big taxi markets and people lives depend upon these taxes. So there is -- there will be an upward trend. Of course, the prices because of the currency depreciation and customer prices have gone up for the industry. That is also one of the reasons the industry is a bit low, but the worst is over. And our brands, HLX series, 100, 125, 150 has got very good pull in the market.

LATAM, we are seeing a good opportunity. Our portfolio is very small in LATAM, but we can build it very well. Huge market, good opportunity for TVS and we are leveraging products from India as well as from Indonesia.

Gunjan Prithyali: Okay. Sir, is it fair to assume Africa is 60%, 70% or even more of your entire mix -- volume mix?

- K. N. Radhakrishnan:** Tell me.
- Gunjan Prithyali:** Will Africa be more than 60%, 70% of the volumes that...
- K. N. Radhakrishnan:** Africa is about, I think first half, it's about 55% to 57%.
- Gunjan Prithyali:** Okay. Got it. And lastly, sir, any comments on CNG portfolio? Is that something that we are now thinking to introduce to the market. And if we were -- what kind of timelines we are looking at?
- K. N. Radhakrishnan:** We have a very strong R&D. Last time also I told you. We are looking at the customer, how customers are looking at it. Already in 3-wheeler, we have CNG. It's accepted very well. So we are very closely looking at how the customers are looking at the CNG. We can always come back with the product into the market. That is the point I would like to highlight on CNG.
- Gunjan Prithyali:** Okay sir. Got it. Thank you so much.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.
- Mumuksh Mandlesha:** Thank you sir for the opportunity and happy festive season. Sir, you mentioned about the rural doing well, sir. Can you indicate how has been the rural market growth? And how is the urban market growth this last few months, sir?
- K. N. Radhakrishnan:** See, H1, just a minute. H1, if you look at the overall I'm saying, looking at the rural, urban, I think overall growth in H1 was, just a minute. Rural H1 growth Vahan was about 8% and rural was slightly higher 9%, urban was about 7%. So this definitely tells us after a long time 1% here and there cannot be so big, but first time we are seeing rural also catching up.
- That's why it is very critical that monsoon, reservoir, agriculture, and we have to see rural slowly picking up. It will be a good news for 2-wheeler industry. And, of course, Q2 we saw a little bit slowing down which was expected. But Navaratri again, we are seeing 10%. We have to look at next week, which is very, very important how it is going to pan out. I'm of the view that reasonably good growth we can expect in Q3, And I'm hoping that rural will try to be in line with urban this year.
- Mumuksh Mandlesha:** Sir, coming to exports three-wheeler sir, that has not yet seen a recovery like two-wheeler, we have seen a recovery. Any reason for the slowness in the export three-wheeler market?
- K. N. Radhakrishnan:** I think our -- we are extremely good in Africa. Africa is going through some tough times. And as you know, we are not losing on the retails, but we have controlled our dispatches because the last thing we will do is the same principle of 1 month stock, When we look at international, we look at 1 month plus the transit time, And in domestic, we always look at one month stock. Maybe recent times, 3, 4 days extra here and there depending upon, because last thing we want is to lose retail, like Dhanteras or Navaratri. So that we calibrate, and we look at it that way.
- Mumuksh Mandlesha:** But you've seen a recovery happen sequentially?

- K. N. Radhakrishnan:** It will happen. Going forward, it will happen. Q3, Q4 you will see that changes.
- Mumuksh Mandlesha:** Just lastly on this PLI Incentive, just want to understand like when will we be starting to book this incentives?
- K. N. Radhakrishnan:** Already Desikan answered you -- answered earlier, someone asked the same question, okay? We are developing the policy, and we will come back to you soon.
- Mumuksh Mandlesha:** Sure, sir. Thank you for this opportunity, sir.
- K. N. Radhakrishnan:** There was a question from someone about the EV turnover, for the first half it is about INR1,600 crores. Hello?
- Moderator:** Yes, sir.
- K. N. Radhakrishnan:** INR1,600 crores, it was an earlier question, at that time I gave the number, the INR1,600 crores for the first half.
- Moderator:** Okay, sir.
- K. N. Radhakrishnan:** Okay.
- Moderator:** We'll move on to the next question. It's from the line of Viraj from SiMPL. Please go ahead.
- Viraj:** Yes. If you look at TVS Credit Services, if you look at the segmental financials, we have seen a -- reported a PBT de-growth, while in a commentary we talked about a PBT growth of I think close to 15% 18%. So just trying to understand where is the disconnect?
- K Gopala Desikan:** Where is the PBT de-growth there? Last year we did INR180 crores, and we are at INR216 crores. We have grown.
- Viraj:** So if you look at our consolidated segmental numbers, we reported around INR209 crores of segmental EBIT as against INR218 crores.
- K Gopala Desikan:** For TVS Credit Services of standalone also we reported, and it is INR216 crores as against last year's INR180 crores.
- Viraj:** Okay, I will take this offline if that's okay with you.
- K Gopala Desikan:** Yes, sure. No problem.
- Viraj:** And in terms of the EV product portfolio and the PLI, so PLI, the cumulative amount, if you can just give some color, what kind of cumulative amount we'll be looking at once we have a policy in place? And the second question is on the EVs, we were looking at a very aggressive launch pipeline. So I think couple of quarters back we were looking in next 4 to 6 quarters at that point in time to have a very aggressive launch pipeline. But somehow, we're not seeing much launches from our side. So just trying to understand what is the thought process behind the launches?

- K. N. Radhakrishnan:** We time the launches also, We want to make sure that we overall grow ahead of the industry, This is a very measured call. On one side, we keep developing the product and we decide when to launch the product.
- Viraj:** Okay. And last question is on the investment and capex, if you can just give for the full-year and FY '26?
- K. N. Radhakrishnan:** Capex, the same INR1,200 crores to INR1,400 crores for the year. Investment, just a minute, I think investments again around INR1,500 crores is what we said last time.
- Viraj:** Okay. Thank you very much.
- K. N. Radhakrishnan:** Can we have the last question, please?
- Moderator:** Yes, sir. It's from the line of Neel from Valuequest. Please go ahead.
- Neel:** Yes, my questions have been answered. Thank you.
- K. N. Radhakrishnan:** Okay. Thank you, everyone, and it has been a great quarter two, and I'm pretty confident about the season, which is going to be in the next 10 days. And we are also confident about Q3, overall with best customer satisfaction and quality and the new products whatever we have launched, Jupiter 110 and many more products to come in this financial year, I'm pretty confident that with the brands like Apache, Jupiter, Jupiter 125, iQube, Raider, Ntorq, HLX versions, TVS King, and TVS Ronin and Radeon, we are pretty confident that the range is helping us and the customers are helping us to grow faster than the industry.
- Industry will be good in Q3, okay? Rural, first time we are seeing during the first half coming better growth than what we have seen in the past. And what is delighting us is while we are investing for future and employees and in investments in products and technology, we are able to consistently improve our EBITDA. Over the last 5 years we have seen significant improvement and quarter-on-quarter in the last six quarters we have now come to 11.7%, and we are confident that we will continue to leverage its growth, better product mix, sustained cost reduction initiatives to improve profitability going forward.
- Happy Diwali to all of you, all your family members, and let us bring a lot of prosperity to society in India. May God bless Thank you.
- Moderator:** On behalf of B&K Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.