



“TVS Motor Company Limited
Q3 FY '25 Post Results Conference Call”

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**MODERATOR: MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI
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Moderator: Ladies and gentlemen, good day, and welcome to TVS Motor Company Limited Q3 and FY '25 Post Results Earnings Conference Call, hosted by Batlivala & Karani Securities 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 in the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Annamalai Jayaraj: Welcome to TVS Motor Company 3Q and 9 months FY '25 Post Results Conference Call. From TVS Motor Company management, we have with us today, Mr. K. N. Radhakrishnan, Director and Chief Executive Officer; Mr. K. Gopala Desikan, Chief Financial Officer.

We will -- I'll now hand over the call to K. N. Radhakrishnan for the opening remarks to be followed the question-and-answer session. Over to you, sir.

K. N. Radhakrishnan: Good evening. everyone, and thanks for joining us today. Wish you, once again, Happy New Year and season's greetings to all of you. We're extremely happy to inform that the company's overall performance has been in line with whatever we have planned. The new product, especially the all new Jupiter 110, is doing very well in the market and very well accepted in the market. Combined EV and ICE, we have achieved the highest ever operating EBITDA margin of 11.9%. Kindly note, that this is without recognizing PLI benefits.

Now let me now take you through the company's Q3 performance. The two-wheeler domestic ICE sales grew by 5% compared to Q3 of last year as against industry growth of 1%. The two-wheeler international market company sales grew by 26% over last year. ICE -- total two-wheeler ICE sales grew by 9% compared to Q3 of last year, and this is also better than the industry. The EV two-wheeler sales increased by 57% this quarter.

In Q3, we have done 76,000 units as against 48,000 units during the corresponding quarter of last year. Total sales of three-wheelers are at 29,000. During the quarter, company's operating revenue grew by 10% at INR9,097 crores as against INR8,245 crores during last year third quarter.

On profit, during the quarter, company recorded an operating EBITDA of INR1,081 crores, grew by 17%, as against EBITDA of INR924 crores during Q3 of last year. The company's operating EBITDA margin improved by 70 basis points at 11.9% as against 11.2% during Q3 last year. And sequentially also, we have grown by 20 basis points.

Company posted operating PBT of INR859 crores, recording a growth of 22% during this quarter as against INR702 crores in the third quarter of last year. Profit after tax grew by 4%, INR618 crores as against INR593 crores during third quarter of last year.

During the 9-month period, company's operating revenue has grown by 13%. This year, it is INR26,701 crore as against INR23,608 last year up to first 9 months. PBT for the first 9

months grew by 19%, INR2,517 crores as against INR2,109 crores during the first 9-month period of the last year. Profit after tax for the first 9 months grew by 16%, INR1,858 crores as against INR1,598 crores during the first 9 months period of last year.

On TVS Credit, we are extremely happy during this financial year TVS Credit has added more than 3 million new customers. Cumulatively, TVS Credit has served over 17.7 million plus customers till date. Now the book size is INR27,190 crores, grew by 7% overall over Q3 of last year. Profit before tax grew by 40%. Now it is at INR321 crores as against INR230 crores during Q3 of last year. Sequentially, PBT grew by 48%. Last quarter was INR216 crores PBT for TVS Credit.

Apart from serving two-wheeler customers, TVS Credit is one of the leading consumer durable mobile phone financiers. It has a fast growing footprint in the used car loans, tractor loans, used commercial vehicle loans and unsecured loans, powered by robust new edge technologies and data analytics. So overall, TVS Credit performance is really doing well.

On Q4 '24, '25, as you know, the first 9 months of this year, VAHAN industry grew by 9%. What is delighting is urban -- the rural growth is slightly ahead of this 9%. To be precise, it is almost 10%. And Q3 also, we have seen rural doing slightly better than urban. So good rural coming back this year is going to help the industry.

Higher investments in infrastructure is going to definitely help. And the reservoir water levels are very good this year. We are expecting an improved crop this year, and that is also likely to help, and we are expecting Q4 to do well. The new Jupiter for TVS, we will confidently say that we will grow ahead of the industry, thanks to the new products. And the existing products are also doing extremely well in the ICE.

On EV, the first 9 months of the period EV two-wheeler industry has grown 36%. Penetration during this period is 5.8%, slightly better than last year. iQube, as you know, is a very strong brand, is a prominent brand in the EV segment, which is technology-led features and best-in-class quality.

The company has introduced a new variant in iQube portfolio, making electric mobility accessible to everyone. We have now 3 battery options, 2.2 kilowatts, 3.4 kilowatts and 5.1 kilowatts. All the iQube, the full range, the portfolio is getting a very good response from the customers. We will also come up with products this year.

And about a week back, we have launched our three-wheeler TVS King EV MAX. The TVS King EV Max combines advanced electric propulsion with superior comfort and connectivity. It has got a blend of long-range impressive acceleration, quick charging time. And I'm very sure that it is going to give better return on investment for the users, and it is going to help better earning potential for the customers.

It comes with 179 kilometers of range, quick charging. We can do it in 2 hours and 15 minutes. It comes with smart features like TVS SmartXconnect. And this also uses real-time navigation,

alerts, vehicle diagnostics through their smartphones. And it comes with definitely a very good LED headlamps and tail lamps.

So it is going to be one of the best offering in the market, and we are pretty confident that with this product, we will become a prominent player in the EV three-wheeler. And as you know, the EV three-wheeler category is growing much faster. The penetration is already -- while overall for the year, it's year-to-date, it is 21%; last quarter, it's 26%. And we are expecting this to significantly grow in the coming months.

During the Bharat Mobility Global Expo, we will be partnering with Hyundai. We have unveiled concept models, and this is going to be in the space of micro mobility. And this partnership is going to be very, very critical, and there will be quite a lot of learning.

On international markets, we are witnessing improvement in retail better than the industry. During Q3, we witnessed improvement. In Africa, we are expecting improvement from the current levels during -- and this will also do -- will be better in Q4. We have entered into Morocco. This will add to our further growth momentum in North Africa.

The HLX 125 5-gear, which is added in our portfolio last quarter, is doing well. We have launched this product in many key African markets. The response is very positive. Last year, I told you about LatAm, I think it is growing. And these are the markets which is doing extremely well for the industry.

And we are growing month after month in this market, and it's very, very important for our growth strategy in international business going forward. We're extremely happy that Sri Lanka is opening. And Sri Lanka is very, very important in the Asia market. In Nepal, we are doing well. All of you know that Bangladesh is going through some tough time, but it will come back. And Middle East also, we are doing well.

Overall, we are extremely happy that the EBITDA margin has been growing for TVS Motor Company. And now we are at the highest 11.9%. We are confident that the company will continue to leverage its growth, better product mix, sustained cost reduction initiatives to improve profitability going forward.

We have a very strong range of brands, and we will continue to grow ahead of the industry both in ICE and EV. In terms of, most importantly, this momentum in the market and the industry, we are positive about Q4. And we are expecting overall 2025 is going to be a good year both in domestic and international market for TVS. Thank you.

Moderator: Shall we open the line for questions?

K. N. Radhakrishnan: Yes, please.

Moderator: The first question comes from the line of Chandramouli Muthiah with Goldman Sachs.

Chandramouli Muthiah: My first question is on the OBD2B norms, which I expect to be introduced on 1st April 2025. So I just want to understand what additional components you might need to add? Are there any

price hikes we need to take? And is there any prebuy factor that we need to factor in heading into that period?

K. N. Radhakrishnan: See OBD2B, like you mentioned, it is next-phase change. Definitely, we are getting ready with all our products, and it will be available from 1st of April. Some of the products we will be launching soon. So -- and appropriate time, I'll tell you the cost increase and the price increases.

Chandramouli Muthiah: Just a follow-up on that, I think we had OBD2A exactly 2 years back, and I think the industry took between 1.5% to 2% sort of price increase at that point in time. So do we sort of compare similar to that sort of magnitude of price hike? Or is it going to be slightly different?

K. N. Radhakrishnan: See, this is like Phase A, this is going to be Phase B. And we are looking at what are the changes in the components and what needs to be done. But we are very confident that whatever price increase, it will be appropriate and it will be competitive in the market. And we want to grow in the industry. And what is likely to happen, according to me, this price increases are not going to be as high as what you have seen in BS IV to BS VI. It will be, in my opinion, I can't put a number to it, but I'm very sure it will be affordable from the customer's point of view.

Chandramouli Muthiah: Got it. That's helpful. My second question is just on the gross margin. So we did see an increase in electric two-wheeler mix this quarter, but gross margin has been quite stable. So I just want to understand what were the drivers that helped maintain very stable gross margin this quarter in spite of increasing electric two-wheeler mix?

K. N. Radhakrishnan: I think the most important thing is, if you look at our gross margin, we have been fairly steady. There may be some 20, 30 basis points change. Say, between Q2 and Q3, there is not much of a difference in our material cost or whatever. I think the continuous focus on the product mix and the material cost reduction. And price increase during this quarter was practically insignificant. I think very, very small proportion.

So overall, I think what is most beneficial to the company is the health of the product mix and also the material cost -- sustained material cost reduction. And commodities also, I would say, it is flat. I think there was no significant change. There may be some material which would have gone up, but equally something has come down. So it is practically flat. So this is between Q2 and Q3. And if you compare between last year to this year, of course...

Chandramouli Muthiah: Got it...

K. N. Radhakrishnan: There was a little bit of price increase. But the price increase was only marginal, if you ask me.

Chandramouli Muthiah: Got it. That's helpful. And just lastly, a housekeeping question on export revenues and spare revenues for the quarter, if you can share?

K. N. Radhakrishnan: Give a minute, please. Export revenues are around INR2,018 crores and spare parts, just a minute, about INR950 crores.

Moderator: Next question comes from the line of Pramod Kumar with UBS.

Pramod Kumar: Congratulations on a decent set of numbers. Sir, my first question is on the operating leverage or the lack of it, because if you look at the first -- this quarter numbers, like your employee costs and other expenditures grew by like 25% plus versus revenue growth of 13%. And even if I look at the first 9 months, we have seen 180 bps increase in employee and other cost expenditure as a percentage of revenue, and they've grown significantly ahead of the revenue growth.

So I understand a lot of this is going towards capability building on new technologies, manpower hiring and all that. So if you can just help us understand by when do you expect the inflation or the growth in these line items to kind of moderate, so that we start seeing the benefit of operating leverage?

The reason I'm asking this is like last 4 years almost, the employee cost has compounded by 20%. And we can see the benefits of that in your products and the market share gains. But just trying to understand, are we expecting a moderation in the growth of these expense line items so that we can see some operating leverage benefit?

K. N. Radhakrishnan: See, the answers are there in your question itself. I think what is most important is TVS has got a strong new product development capability, R&D capability and we come up with new products practically every year. And as I said earlier, we have added significant capability building in software, digital. Almost -- I said last time, almost 500 people we have added in this category.

And this is definitely while it is going to help the EV and the EV product development. You can see our TVS Max, The King Max, you will see it is practically, so many things are digitally connected. It is very advanced in terms of best-in-class features, because I think we want to give the best to the customers in terms of technology capability, in terms of connectivity. All these are investments.

But we look at -- like I said, these are investments, not costs. I'm very sure these capabilities, what we are building, will also help in ICE, because ICE customers are also now looking at these kind of technologies. And in exports also, many of these products are likely to do extremely well. So according to me, investments behind employees, employee capability building, employee costs will continue because the products are required and we have an ambition to get into Europe.

Now after that, we have -- we want to look at global markets with our EV products and some of the ICE products. So the top line can come only with the right kind of people and investment behind people, both on new technology area, capability building. And software as a capability we are now investing.

Pramod Kumar: No, sir, I understand all of that. Just trying to understand whether we're going to see some moderation in the rate of growth of these expense lines, have nothing else. And this could be more for FY '26, '27. I'm not looking at the immediate quarter. But just if you can help

understand whether we will expect any moderation in the group rates? Or they'll continue to grow significantly out of the revenue growth?

K. N. Radhakrishnan: I hope all of you are happy with 11.9% without the PLI. What we need to look at is, as a summary, is the company improving quarter-after-quarter EBITDA, including EV plus ICE. Each line we can optimize, but then we'll not do the best for the investments on new product, technology, capability building. While you manage the quarter, I don't know whether that it's most important. Most important is managing the customer future technology looking at -- because any investment, it will start yielding results in 2 to 3 years.

Pramod Kumar: Okay. Fair enough, sir. And the second, linked to the comment you made on PLI, by when do we expect you to start receiving the PLI amount, sir, so that we can start recognizing that in the revenue numbers and the margin numbers?

K. N. Radhakrishnan: See, all the iQube portfolio are approved for PLIs. And like we said last time, the audit process, everything is in the advanced stage. And you will see the PLI benefits relating to the whole year will be accounted in Q4.

Pramod Kumar: Q4, sir?

K. N. Radhakrishnan: Yes, that is our plan. And going forward, that it will be every quarterly basis. So we are expecting definitely some decisions to be taken in the last quarter.

Pramod Kumar: Okay. And sir, on the export market outlook, if you can -- hello?

K. N. Radhakrishnan: Yes, please.

Pramod Kumar: Sir, on the export market, sir, if you can just help us understand while we are doing well, we are gaining market share. In terms of the medium-term plan for the next couple of years, where do you see TVS' export volumes in terms of overall portfolio for two-wheelers, sir? Because as you said in the opening remarks, you are kind of still ramping up on Latin America. I think Brazil is yet to be entered.

So if you can just help us understand that. And also final statistics on iQube. How much of the network is already selling iQube, sir, because I understand you're not selling at all your outlets at this point in time, including some dealers? These 2 questions, sir.

K. N. Radhakrishnan: I'll start with iQube. I think we are at about 900 dealerships in India. And there is still opportunity to sell many main dealerships, and then we love to look at other markets in India, that is suburban and other areas. On export, one correction, we are already selling in Brazil. Our market share may be small because Brazil is a huge country. As a LatAm, our presence, we have started in the last couple of years focusing.

And any market when you try to enter, first you need to understand the consumers, you need to understand, build the brand. This is exactly what we did in Africa. Today, in Africa, we are a very prominent player. So like that now we have started focusing on LatAm, looking at market by market, having good distributors, looking at service, spare parts, availability, product,

technology, brand building. So I'm pretty confident that TVS as a brand will have huge opportunity going forward in LatAm.

Moderator: Next question comes from the line of Kumar Rakesh with BNP Paribas.

Kumar Rakesh: My first question was around the investments that you have made in the international businesses. Have you taken the fair value assessment of all the international subsidiaries recently, which all are pending to be done? I see that you have taken some write-off in this quarter. So for which entity is that and which all entities are yet to be evaluated for that?

K. Gopala Desikan: We do fair valuation for all our investments. And what is being recognized as fair valuation loss around INR 41 crores, which is there, it relates to TVS supply chain investments what we have made, where the market has corrected. And in the previous quarters, we have also recognized the fair valuation gain on that. All other investments, we test for fair valuation and they are -- they don't require any intervention in the valuation.

Kumar Rakesh: Okay. Related to that, during the quarter you invested in DriveX, which raised your stake and that was through secondary sale of shares. So can you just help understand that what is the rationale behind making that to be a subsidiary, especially when it is a resale business, which largely many of the other OEMs have built by themselves. So what is the unique use case that we are looking at this business, we have raised their stake and want this to be our subsidiary?

K. N. Radhakrishnan: I think these are part of the auto business. So we felt that it is better to be part of TVS Motor. That is only a simple rationale.

Kumar Rakesh: I think but my question was more from external business going and investing in that instead of building by ourselves. So what is it the unique case that this startup brings and that we thought that we'll not be able to build ourselves?

K. N. Radhakrishnan: But we have a significant proportion of stake in DriveX. So the entire capability or trying to support in building the DriveX is from TVS Motor, and it has got a very high level of synergies with the existing business of TVS Motor. So I think -- and you know the importance of used vehicle business in India.

Kumar Rakesh: Got it. My second question was around the TVS Credit. So you spoke about that it's our diversified business now outside of two-wheeler business as well. I noticed that the AUM growth of that business has been slowing down quite sharply from more than 20% growth a few quarters back, now about 7% growth. So what is driving that slowdown in the AUM growth of that business?

K. Gopala Desikan: So there's no slowdown. Basically, the credit to, particularly the risky customers and the unsecured lending, we are quite cautious. The book size is a healthy book size at INR27,190 crores. And if you see even the debt to equity, we are just at 5.2x now. And it is -- and again, the capital adequacy ratio is extremely healthy at 19.4%. And therefore, there is no slowness in the growth. And we have tightened certain credit norms, and we are -- that's the reason.

Otherwise, it's a very healthy portfolio. And the book, what we are carrying, is a very good and a healthy portfolio what we have today.

K. N. Radhakrishnan: We look at the competitive landscape, and we look at without compromising on the quality of customers. So that is a fundamental when we look at the growth.

Kumar Rakesh: Got it. And I noticed that the credit cost has increased or has elevated at about 4.9%. So how are the delinquencies trend that you are seeing and that's...

K. Gopala Desikan: Sorry, I can't understand. What's the question?

Kumar Rakesh: So the credit cost of TVS Credit is about 4.9% for December quarter. So I was asking around the delinquency of the business, how is that trending?

K. Gopala Desikan: The delinquency is -- I mean, I can say -- talk about the gross NPA is at 3% and the collections are quite healthy, and we carry decent provisions more than what is required under the RBI regulations. The collections are also quite healthy. We have collected close to INR7,000 crores during Q3 when compared to INR5,000 crores comparable quarter last year. And the disbursements have also been quite healthy at INR7,400 crores this quarter as against INR6,900 crores in the comparable last year quarter.

K. N. Radhakrishnan: And if you overall look at the performance of TVS Credit, it's one of the outstanding performance. PBT has grown more than 40% and INR321 crores.

K. Gopala Desikan: And the rating agencies have also upgraded the rating from the AA+ stable now.

Moderator: Next question comes from the line of Gunjan, Bank of America.

Gunjan: Apologies if this is repetitive. Just trying -- just first question on the investment in subsidiaries, the INR740 crores, could you give us some sense where has this gone? And also, I do see the losses have certainly come down on subs in this quarter. So if you could give a little bit of color on what's really happened on the subs performance besides TVS Credit?

K. N. Radhakrishnan: See, one is the investments in TVS Singapore. After that, predominantly, it is Norton. And like you said, the good news about Norton is whatever we have committed, the products are getting ready. The first product should be ready by end of this year. And a few products will be ready in the beginning of next financial year. So I think '25, '26 is going to be -- the financial year is going to very, very important in terms of product readiness and then Norton getting into the market.

So all the investments are practically supporting this development, getting ready for the product readiness in the market. And there are investments related to other subsidiaries, like e-bikes, and investments related to the new technology areas in Singapore, TVS Singapore. And we are also investing in setting up a new hub in Dubai for international business because we see a huge opportunity in Africa, Middle East and Europe.

Gunjan: Okay. And anything like on the losses, like they've come off, is it that Norton or the eBicycle business where we are seeing some worst is behind and losses are shrinking. Any comments around that?

K. N. Radhakrishnan: See, the e-bike business, you know that, overall, the industry has significantly come down because of the Europe going through a lot of challenges. And all the players in this market. I think we are focusing much more on designing, which are the outlets, which are cost competitive and which are future required.

So a lot of focus in terms of cost reduction, working capital management because we feel that in a couple of years' time, the e-bike industry will come back in Europe. And there is a lot of learning. And we are also investing in some products. So this is definitely going to help in coming back with the e-bikes in the future.

Gunjan: Okay. Got it. And my second question was a little bit more on the product strategy. At the Bharat Mobility Expo, you had two interesting products. One was the CNG display and the other one was the 300cc bike. Anything that you can sort of talk about how soon should we expect these coming to market? Any broader strategy around both these product segments, CNG scooter and 300cc?

K. N. Radhakrishnan: See, we have a very strong R&D and design capability, and these are concepts what we have demonstrated there. And at appropriate time, we will decide which type of products to be brought into the market. You would have seen about a week back our new three-wheeler EV, King EV Max. So these are opportunities to showcase our capabilities. These are all our concept bikes, what we presented there. But I can assure you that based on the customer feedback, the industry opportunity, we will invest in some of these products going forward.

Moderator: Next question comes from the line of Aryn Pirani with JP Morgan.

Aryn Pirani: Sir, two questions from my side. First question is, you have recently launched the electric three-wheeler, and the features and the pricing seems quite attractive. I don't know if you mentioned about this in the past, but how do you see the e-rickshaw as a category? And is that something also which can be a business opportunity for you in the future?

K. N. Radhakrishnan: We always -- first of all, the TVS King EV Max, it comes with best-in-class feature, first-in-class features in terms of many things which we offer. Like I said, this is the product with 179 on single charge you can get the range. And it has got a blend of both impressive acceleration, excellent range and quick charging. So we -- from the point of view of the customer, this product, I'm very sure, it will help the Indian three-wheeler industry. Not only Indian three-wheeler EV industry, but we can definitely look at exporting this.

Now coming to the e-rickshaw category, I think we are closely understanding. See, the good thing about TVS is we have a strong R&D and design capability. So we can always come back, we can reflect. At this point of time, the full focus is on TVS EV MAX and how do we go to a prominent player in this category because this category itself, the penetration is growing disproportionately.

If my memory is right, in the last few quarters, it is growing at a CAGR of 84%. And already, we are seeing close to 30% penetration, which is very, very healthy number. So we want to gain a good position in this category with the launch of TVS King EV Max.

Amyr Pirani: Okay. Sir, secondly, again, apologies if this has been addressed earlier. I joined a bit late. What is like the rationale of merging Sundaram Auto Components? And is there a plan to grow that business? And correct me if I'm wrong, currently, this is 100% supplying to you? Or is there any external revenues that this entity generates?

K. Gopala Desikan: Okay. This is a plastic business, 100% owned by TVS Motor Company. We are in the process of selling that business, and the company with the cash, it is going to generate out of the sale and the 24-odd acres of land, which is very nearby to our factory, this gets merged with TVS Motor Company. There is no business that will get transferred or an additional revenue that is going to come to TVS Motor. The company, which is completely owned by it after generating cash on sales of the business and the remaining assets, will get merged with TVS Motor Company.

K. N. Radhakrishnan: And currently, 80% of the sales is with TVS, remaining...

K. Gopala Desikan: 80%, 85%, yes.

K. N. Radhakrishnan: 20% -- maybe 15% to 20% with other customers.

Amyr Pirani: Okay. But going forward, this entity will not have any business, it will just be entity with land and cash, basically?

K. Gopala Desikan: Yes.

Moderator: Next question comes from the line of Kapil Singh with Nomura.

Kapil Singh: Just on the electric scooter business, I wanted to ask because we are touching almost 900 dealerships. What percentage of the scooter market does it cover? And then secondly, in terms of the customers we are getting now, are these -- do you think are these scooter -- existing scooter customers who are shifting? Or are there additional motorcycle customers also shifting towards electric scooters?

K. N. Radhakrishnan: See TVS iQube is an excellent brand, and thanks to all the customers who are buying this product. If you recollect, I was highlighting that if you include EV also into the two-wheeler industry, I was highlighting that last year, the EV -- the scooter category share was about 31%, 32%. So include both ICE and EV scooter, it is already now moving close to 40%. So the most important is market of scooter categories expanding in India.

This is exactly what I was highlighting about 2 years back, Indian customers like -especially urban and semi-urban, they like scooter as a category because it gives a lot of convenience to the day-to-day usage. So that is one of the predominant reason.

So when the market is expanding and the overall scooter category is growing, we are present -- with iQube in the EV category, we are also present with Jupiter, Ntorq. And even in Jupiter, we have a 110 series, there's a 125 series, Ntorq is there. And for the entry-level customers, we have Zest. So we have a strong scooter portfolio, okay, and we will definitely grow ahead of the industry with the kind of investments whatever we have done on the product side.

Kapil Singh: Sure, sir. These 900 dealerships, they would cover what percentage of the scooter market?

K. N. Radhakrishnan: See, we can -- we have another -- including the branches or the main dealers, we have almost 1,400 main dealers. So we are very systematically growing that. Then we can always look at the next level dealerships. So this is a very systematic investment in the network and expansion of the network.

Kapil Singh: And sir, on the motorcycle portfolio, can you give some color? Just firstly, on the industry also, the growth has been quite tepid, especially in the second half. And for TVS as well, the growth rate has been slow by the standards that we set. So just if you could give your views on both.

K. N. Radhakrishnan: Overall, we have done much, much better than the industry. I hope you can see the numbers. I don't want to say anything beyond that. And I look at the total portfolio, I don't look at product-wise. First step is to grow ahead of the industry in a very, very structured way. Number two, there are, of course, categories. For example, the economy category, the moped category, there are some challenges.

But the good news is the rural is responding this year after a long time. But still, there are pressures on the economy category and the moped category because the buying power, while it is going up, but there are some challenges they are facing. So it may take a little longer time. But overall, this year, so far, the industry has grown 9%. 9% is a CAGR, is a very, very healthy growth rate.

Kapil Singh: Sure, sir. My question was more of the recent data, we see that has seen quite a bit of weakness. So was that more temporary factor or...

K. N. Radhakrishnan: For example, the month of January, the first 2 weeks, VAHAN growth only 4%, I understand. But it will grow. We have just started January. Now February is there, March is there. Last quarter also, if you look at it, September, October, November -- October, November, December, we saw a very healthier growth rate.

Any growth rate around 9%, 10% is a good growth rate. As of now, it has started well. That is the way I look at it. And so far, market is holding on. Only area where, if you ask me, it can do better is the entry-level motorcycle, moped, these are the areas.

Moderator: Next question from the line of Parag Thakkar with Fort Capital.

Parag Thakkar: Congratulations for excellent numbers. I just wanted to know when that PLI benefit margin of 1.5% will reflect in our quarterly results?

- K. Gopala Desikan:** What is that, 1.5%?
- Parag Thakkar:** PLI benefit, which I think our peers have already recognized, right?
- K. N. Radhakrishnan:** We don't know about this 1.5%...
- K. Gopala Desikan:** It's a new number you are saying. We don't know this. It only talks about the minimum of -- the government says 12% -- yes, 12% on the EV-related business and 13% on revenue subject to satisfaction of all other criteria, which we have already satisfied. And we will be recognizing based on the EV-related sales going forward. This 1.5%, we don't know what that number is, please.
- Parag Thakkar:** So this EV benefit will come in from retrospective effect or from Q4 only?
- K. Gopala Desikan:** No, it is from April. It depends on when we have launched and when we got the certificate. But what we will be recognizing in Q4 is our eligible percentage for the whole year.
- Parag Thakkar:** Okay. Great, sir. And if I've heard correctly that in January, basically in two-wheeler, we are doing extremely well and Mr. Sudarshan Venu was very bullish about the January uptick in two-wheeler sales, both in ICE and electric, I think.
- So whether you would be able to throw some light on that. That March quarter and upcoming year looks very good from both ICE and EV sales from TVS' perspective. No, I'm not asking from the industry perspective. Of course, he has said that two-wheeler industry is going to grow in double digits in this year and you will outpace the industry. But...
- K. N. Radhakrishnan:** I think you have said the industry is expected to do well in 2025, ICE plus EV, and the TVS with the kind of products what we have, we will be growing faster than the industry. Absolutely right.
- Moderator:** Next question comes from the line of Jay Kale with Elara Capital.
- Jay Kale:** Congrats on a good set of numbers. Sir, my first question is regarding EV two-wheeler. We've seen that the penetration for the industry is hovering around the 6-odd-percent, while we have done well. But what, according to you, is needed for this penetration to move up further? Because a couple of years back, the broad expectation was that if EV two-wheeler prices, scooter prices come down to closer to ICE vehicles, there will be an inflection point.
- Now as we see it, broadly, the industry has reached similar to ICE prices of scooters. What is it needed for it to further give a flip in terms of EV adoption? Is it that motorcycles will only drive the further EV adoption over years? Or where are we seeing the gaps in EV scooters as an industry?
- K. N. Radhakrishnan:** According to me, 6% in such a short time is one of the best numbers I have seen on EV adoption. What is most important is customers and customers liking the products and the technology, which according to me is happening pretty well. Now definitely, going forward, more new products will come, new players will come. The market will be competitive. I think

when you have new products or new segments, I think that is the time you will see definitely good growth.

According to me, EV is growing pretty well in India because these are all personal users, personal owners. Please understand customers are agnostic to any technology. So customers have to like it, and customers liking has started. So we have to be patient. It will grow. And with the new segments and the new products, it will further grow. That is our understanding and estimate. And as the volume go up, everything will fall in line, the cost will fall in line, many things will fall in line.

Jay Kale: Understood. And if you can just share EV contribution of -- for this quarter in terms of revenues that you had done last quarter. And just a few clarity on the Norton launches as well as the Hyundai three-wheeler that you mentioned, the timelines and the kind of product positioning that would have? And would we just be contract manufacturing? Or what would be our role in this? And how would it place?

K. N. Radhakrishnan: See, this is -- the Hyundai and TVS partnership is a great partnership. At this point of time, it is going to be focusing on micro mobility and there is a huge opportunity there. The project timelines, and investments, etc, we will update once we are closer to our complete plans.

And coming back to Norton, I already highlighted to you that the '25, '26 financial year, that is where you will see the products coming from Norton. And I'm very confident that with our R&D and our capability, you will see many of these products definitely, definitely delighting the customer in many parts of the world. Norton is a great brand. It's in the super premium great brand. So we are pretty positive about that. What was your third question?

Jay Kale: On the EV contribution this quarter in terms of revenues, like you had mentioned last quarter.

K. N. Radhakrishnan: I think EV -- I think the revenue is around INR800 crores.

Moderator: Next question comes from the line of Raghunandhan N. L. with Nuvama Research.

Raghunandhan N. L.: Congratulations on the 11.9% margin. Sir, firstly, on the margin side, you have been doing very well over last few years. And going forward, material cost reduction, premiumization, even the geography mix improvement, all these are triggers. If you can talk about efforts in this regard and how see the benefits to flow through in future?

K. N. Radhakrishnan: See, the most important to me and for our company is delighting the customer. For delighting the customer, one, the existing brands have to do well and you have to come up with new products, new technologies, new innovation, best-in-class features because you have to keep giving something new to the customer, so that he loves your product.

And post that, you have to give very good service, everything. Every element of customer looks at the value. The moment you see you offer value to the customer, customer will

definitely start investing behind the brand, they will buy, they will recommend. So that is number one.

Number two, what is most important is top line. With the customer delight, the top line will grow. And like I always say that we don't -- we ask all our dealers to buy on cash and carry. We don't allow them to keep them 30 days of stock. We want the fresh vehicle to go to the customer.

And we have very strong brands. If you look at Jupiter, Jupiter 110 is there, Jupiter 125 is there. Then you have Ntorq. We have Zest on one side. You know Apache brand. We have excellent products from 160 2V, 160 4V, then 180 and 200 and the 310 series. Then on the other side, you have Raider, which is at 125cc, the entry-level products.

So we have the best range starting from moped to scooters to motorcycles. That is very, very critical because when a customer comes in and of course. So first to have -- after the customer satisfaction, have a range of products so that the customer gets delighted. And whatever I said on premiumization with the kind of infrastructure, premiumization is continuing.

And people are investing behind great brands, and they are looking at products with excellent features. So this will continue. The variant strategy will continue. Productmix strategy will continue. Geography focus will continue. And exports, you have seen in our numbers. There is a huge opportunity in exports for our TVS Motor Company because we have HLX. HLX is a great brand. We came up with 110, 100 and 125, now we have 150. So investment behind products, then coming up with premiumization.

And of course, if the top line goes up, then that is the time to focus on material costs, and it is a sustained material cost reduction. So all put together is what is delivering and helping. And without sacrificing the investment of people, technology, quarter-after-quarter, we are able to improve our EBITDA. And this journey will continue.

Raghunandhan N. L.:

Got it, sir. Sir, in terms of demand outlook, how do you see domestic market in FY '26, given that we have not yet reached the previous peak? So -- and rural is also doing well, how would you see the industry growth panning out?

K. N. Radhakrishnan:

See, we are working out for the next financial year, the numbers. But my feel of the last 9 months gives me a lot of confidence because this is the first year I have seen rural matching or slightly ahead of urban, which is a very positive news. The area, possibly things can improve is the entry-level motorcycles and moped. But I am also confident with the monsoon reservoirs being very good this year. I'm expecting the same growth momentum of last year will continue in 2025.

That detailed working out is going on as a part of the budget for next year. And as far as TVS is concerned, we are looking at continuing our growth momentum ahead of the industry with the kind of products and the brands and the kind of investments we are making in delighting the customer. So overall, I think, '25, '26, I'm pretty positive. I'm confident the industry should do well.

- Raghunandhan N. L.:** And on the investment side, we've already done INR1,400 crores in the first 9 months. How would you look at the full year number? Or Q4, what would be the number? And do you think this INR1,000 crore plus run rate will continue for FY '26?
- K. N. Radhakrishnan:** See, these investments are predominantly for product development activities on Norton and some product development activities for e-cycles. And please understand, products are critical in auto industry, okay, very, very critical. And the benefit of that, we will start getting 1 year later, 2 years later. On the investment side, possibly, we will be around INR1,700 crores, yearend outlook. So -- but these investments are going to be the foundation for the future. Can we take the last question, please?
- Moderator:** Yes. Yes. Due to time constraint, we will be taking the last question. That is Jinesh Gandhi with Ambit Capital.
- Jinesh Gandhi:** My question is on Norton investments. So now given we are nearing the completion of product development, do we need to invest further in Norton beyond what we've already invested?
- K. N. Radhakrishnan:** See, first of all, the products, whatever we have invested, we have to put into the market, okay, number one. Number two, we need a range of products, please understand, because our aspirations are very high on Norton and please understand the customer, when he looks at it, he will expect a range of products. So whatever we are investing, that will be available.
- And we have already said that we will be looking at, first year, that is '25, '26, and there will be launches year after and possibly in the third year also. So we need to look at sustained investments behind product development, yielding to a good range of Norton bikes, Norton motorcycles, and it should be available globally in every part of the world. So at this point of time, whatever I've highlighted is for '25, '26.
- Jinesh Gandhi:** Got it. And secondly, in the domestic market, some of the financiers, including banks and NBFCs, are highlighting increase in delinquencies on the consumer loan side, two-wheelers and that way. Are we seeing any signs of stress on finance availability for two-wheeler customers? Or that is yet to be -- it's not yet visible on the ground?
- K. N. Radhakrishnan:** See, these are part and parcel of growing. When you substantially grow, already my colleagues, Desikan also highlighted that we -- in TVS Credit, we are very, very conscious. We give only quality customers the kind of lending. That is the reason our delinquencies are under control. Equally, we also look at diversifying the portfolio so that every segment we are present. So I can't say that this is something we have to constantly look at it and correct it. Quarter after quarter, we have to look at it, how the market is moving. This is a continuous part of the journey.
- Jinesh Gandhi:** Okay. And just bookkeeping questions to Mr. Desikan. Sir, what was USD-INR realization in this quarter? And how much would be capex for the full year FY '25?
- K. Gopala Desikan:** 1 second. USD realization for the quarter is INR84.

K. N. Radhakrishnan: And capex, you asked capex, right?

Jinesh Gandhi: Yes, for FY '25.

K. N. Radhakrishnan: Capex for the year, you're asking, or for this quarter?

Jinesh Gandhi: Yes, for the quarter and the year.

K. Gopala Desikan: INR340 crores.

K. N. Radhakrishnan: Yes. The capex will be around INR1,300 crores.

Jinesh Gandhi: Great sir. Thank you and all the best.

K. N. Radhakrishnan: Thank you. Thank you, everyone. Thank you, everyone. And like I said, the growth trajectory and we have posted -- we continue our growth trajectory, and we posted the highest operating EBITDA of 11.9%. This is consistently we are improving quarter after quarter.

With the best-in-class quality and our unwavering focus on consumers along with our strong portfolio of brands, starting from Apache, Jupiter, iQube, Raider, Ntorq, Star range, HLX, Radeon, TVS King and TVS Ronin and the recently launched TVS EV Max -- King EV Max, we will do pretty well ahead of the industry, both in domestic and international.

We will continuously improve our EBITDA by focusing on product mix. We'll focus on our leveraging the volumes and sustained cost reduction. We will continue to improve our EBITDA margin going forward.

Thank you. Thank you for your time and continued trust in TVS Motor Company. Thank you.

Moderator: Thank you. On behalf of TVS Motor Company Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines....