"Tube Investments of India Limited

Q1 FY '25 Earnings Conference Call"

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MODERATOR:	**MR. MUDIT BHANDARI – IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Tube Investments of India Limited Q1 FY '25 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you do need assistance during 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 the conference over to Mr. Mudit Bhandari from IIFL Securities Limited. Thank you, and over to you, sir.

Mudit Bhandari: Thank you, Neha, and good morning, everyone. Welcome to the Conference Call of Tube Investments of India for First Quarter FY '25. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman; Mr. Mukesh Ahuja, Managing Director; Mr. AN Meyyappan, Chief Financial Officer; Mr. Shivdeep Singh Jammu, VP, TPI; Mr. U. Rajagopal, Senior VP, TI Cycles; Mr. N. Govindarajan, CEO of 3xper Innoventure Limited; Mr. K K Paul, MD of TICMPL; Mr. Anurag Vohra, COO of TICMPL; and Mr. Gopalkrishnan, CFO of TICMPL.

To start off, I'll hand over to Mr. Vellayan Subbiah for opening comments, and then we'll start Q&A post that. Over to you, sir.

Vellayan Subbiah: Thanks, Mudit. We had a board meeting on 1st August. Just go through standalone results for the quarter. Revenue for the quarter standalone was at INR1,960 crores as against INR1,780 crores for the same period previous year. And PBT was at INR208 crores as against INR198 crores in the same period previous year. The ROIC annualized was at 47% for the quarter as against 56% in the same period previous year. Free cash flow for the quarter was at INR42 crores as against INR97 crores in the same period previous year.

Quick overview on our businesses. The revenue for the quarter for Engineering was at INR1,265 crores compared to INR1,142 crores in the corresponding quarter. PBIT was at INR157 crores as against INR135 crores in the corresponding quarter.

Metal Formed Revenue was at INR358 crores compared to INR342 crores in the corresponding quarter of previous year. And PBIT was at INR36 crores as against INR44 crores in the corresponding quarter previous year. Mobility revenue for the quarter was at INR181 crores compared with INR187 crores in the corresponding quarter previous year. And PBIT was at INR2 crores, which is in line with the corresponding quarter in the previous year.

Revenue for the quarter for Others businesses was at INR247 crores compared to INR178 crores in the corresponding quarter, and PBIT for the quarter was at INR15 crores as against INR16 crores in the corresponding quarter of the previous year. At the consolidated level, TII's consolidated revenue for the quarter was at INR4,434 crores as against INR3,767 crores in the corresponding quarter, and the profit for the quarter was at INR464 crores as against INR396 crores in the corresponding quarter in the previous year.

CG Power, in which the company had 58% stake, registered a consolidated revenue of INR2,228 crores as against INR1,874 crores in the same quarter previous year. And PBT was at INR336 crores as against INR263 crores. Shanthi Gears registered a revenue of INR139 crores as against INR121 crores and a profit of INR29 crores as against INR24 crores.

So, Mudit, I'll stop with that, and we'll be happy to turn it over to the audience for questions. Good morning and we'll take questions from the audience. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

CA Garvit Goyal: I have three questions. First one is on the traditional businesses. So see, despite manufacturing activities are at their historical peak in India. If we look at the growth in our Engineering, Power, Metal Formed Products, Gear segment and the Industrial segment, we find that except Power segment, other segments are growing nearly at a single digit.

So I am not able to understand why the environment is so strong and we have the internal capabilities in the products we deliver. Why the growth number is too low for us. And if it is because of the high base, then what are the new initiatives are we doing in these areas to increase our growth trajectory. Because even if I take our railway initiative, we should be doing tremendously well looking at the overall industry. So kindly put some color on it, sir.

Vellayan Subbiah: Sir, when you talked about Power, are you saying -- you're talking at a consolidated level? Are you including CG in this discussion? Or are you talking about TII?

CA Garvit Goyal: I'm talking about consolidated number, sir?

Vellayan Subbiah: Consolidated, okay. Yes. S go ahead with your perspective on Engineering, and then I'll give a broader perspective.

Mukesh Ahuja: So if we see a standalone perspective, basically, we've seen the quarter 1 passenger vehicle and commercial vehicle, both there was a slowdown, whereas 2-wheeler maybe there was a revival back in the quarter 1. So if you see across the businesses in standalone, our performance is maybe equal or better than the market in terms of volume as well as the sales value. However, maybe, let's say, particularly in MFPD, there was some mix issue, which is a 1 or 2 quarter issue, it will get improved. But overall performance is in line with the market or better than market.

Coming to giving you color on, let's say, what are the growth verticals still available are. Exports is definitely opportunity. And EV, when it is picking it up, it is opening up new areas of high-strength metal and all these things in which we are at development stage and be participating accordingly in that.

CA Garvit Goyal: And sir, what about the railway initiative, like railway industry is doing really well. So where are we standing in this value chain?

Vellayan Subbiah: . So when we look at that, the larger part of railways is under CG. And that business is definitely picking up and growing at a good pace. In segmental data, we don't split out railways. It is part of industrial systems. But I do see good growth in that business in the upcoming quarters.

CA Garvit Goyal: And sir, overall growth like across our Engineering, Metal Formed segments, do we look for any kind of double-digit growth going ahead? Like -- or it will be like the single-digit number only because of high base?

Mukesh Ahuja: We are looking for double-digit growth.

CA Garvit Goyal: Understood, sir. Secondly, on electric mobility. So we were about to launch a large commercial vehicle in the month of July and August, and some electric tractor also in October. So what is the update on these products? And how our electric 3-wheeler is getting traction in North area? And what are the number of dealers we have right now for electric 3-wheeler?

Management: I'll go segment by segment. On 3-wheeler piece, I think we are proceeding reasonably well. We have a good market share in South, and we are making inroads in North now with getting centered around the larger markets. And we are garnering around 4% to 5% market share in North now, and we want to take it up in the coming months and the coming quarters. So that's as far as North is concerned. But the customers have received it well. There's a lot of work that we are doing on the ground to initiate the demand.

As far as South is concerned, we are going steady there with the 3-wheeler business. In terms of the heavy commercial vehicle, we currently have one product, which is the 55 ton 6x4. And around September, October, we should be launching the second variant in this segment, which will give us a larger -- which will help us to take about 20% of this PIV with these 2 products. And gradually, then we'll be launching the other products in the third and fourth quarter. And we are making good progress with the customers there and slowly inching up on our sales as far as that's concerned. So this is broadly the answer to your questions now.

CA Garvit Goyal: Number of dealers for electric 3-wheelers?

Management: Number of dealers for electric 3-wheelers. Currently, we have 70 numbers. And we are in a ramp-up phase now, and we should be having around 150 dealers by the end of this year in India.

CA Garvit Goyal: Understood, sir. And sir, lastly, on our new initiatives like lens business and medical devices. So we acquired the businesses to save time for licensing and all, and we were looking to focus on more towards the growth, right? But till now, we are not seeing anything material happening from these segments. So why are we not very much aggressive in the terms of growth for these new businesses provided we are having the internal capabilities and there are no such hindrances with regard to licenses?

Mukesh Ahuja: So medical business, particularly on the revenue side, there's a good growth even in the current quarter compared to the previous quarter and business is doing pretty well. At the same time, we are investing in the new product development as well as in the sale side of the story. And this is about the future business, what we are doing it currently.

And we have already announced we'll be putting Greenfield plant in the Noida for again medical consumables. So we are bullish about this business going forward, and it will have a good growth.

Coming to the numbers, revenues are in the very much on growth sides. **A**s per the Ind AS, we have to amortize intangible assets over a period of time, say, almost around next 5 years, we'll be having amortization is approximately INR4 crores per quarter will be there.

Moderator: The next question is from the line of Jinesh Gandhi from AMBIT Capital.

Jinesh Gandhi: Couple of questions from my side. One is on the core business, can you talk about how exports are trending up now? Are we seeing full normalcy in exports? And what kind of a growth we are seeing and what would be the level of exports in standalone business?

Mukesh Ahuja: On the export side, we are doing -- about 19% of the revenues are coming from the exports currently. And there is a little challenge on the freight side of maybe whatever this Red Sea numbers are happening. Otherwise, maybe the exports will still play.

Vellayan Subbiah: 19% is the Engineering.

Mukesh Ahuja: Engineering division for the core business.

Vellayan Subbiah: 19% is for the Engineering business. Overall it is at 14.6%.

Jinesh Gandhi: Okay. 14.6%. Okay. And secondly, when I look at our Others segment revenue, it has been going up reasonably well. I believe this will be largely industrial chain. Has the Greenfield plant started operations there? Or that will be over and above what we are doing today?

Mukesh Ahuja: So Greenfield plant has started already. This is an operation from last 6 months' time. And we are running that plant fully as of now. But whatever maybe momentum you see, that's also coming because of the TMT, which is a trading business, we are doing it, that is also relating to this growth.

Jinesh Gandhi: A few more questions. I'll come back in queue.

Moderator: The next question is from the line of Aman Soni from Nvest Analytics Advisory LLP. Please go ahead. Mr. Aman, your line has been unmuted. Please go ahead with your question.

Due to no response from the current participant, we are going ahead with the next participant, which is from the Rushabh Shah from RBS Investment Managers. Please go ahead.

Rushabh Shah: I just want to understand what is your aspirational market share across the EV portfolio in the medium to long term?

Vellayan Subbiah: So obviously, kind of that will change by segment, right? I mean I think the broad statement is that we want to be ideally in kind of at least 2 to 3 segments, we want to be in the top 2 players, right? So kind of the way we see the energy transition working is that we see that the top players will likely get it redefined. And as more and more of the market moves to EV, we see ourselves being one of the top two players on the EV side of the business.

As that gains share, obviously, we will want to maintain that share as it expands, right, the EV share as it expands. So in all of the businesses, that's our aspiration. So we will see how that plays out over time. But definitely, that's our aspiration going into each of the businesses, which means that the way to think about it is like we would aspire to at least like a 20% to 25% market share in each of the segments that we're in.

Rushabh Shah: And secondly, in the heavy commercial vehicle front, what are the levers to, say, reduce the overall manufacturing cost over the next 1 to 2 years, without the benefit of higher volumes. And how much can it come down by?

Vellayan Subbiah: Yes. So we think that cost can move down by significantly over the next 1 to 2 years. The big drivers of movement, obviously, are going to be first to indigenize a lot more, right? Because a lot of the supply chain still doesn't exist in India, and we have to develop the supply chain in India. That's an effort that is fairly strong, and we're basically very focused on indigenizing the supply chain.

The second part of it is going to be that where we buy some outsourced components, especially on the electronics and the control units. Over time, we will have to develop our own capability under control units. And basically that will help reduce the cost significantly as well.

And then the third part, obviously, is that we're going to start packing our own batteries. And in LFP, as you know, cell prices have also begun to come down. So I think that those three combined is going to help. And then fourth is obviously kind of over time, on the mechanical components as we get some scale, we will get more leverage and be able to order to reduce price. So given those four different areas, we definitely do things that there'll be an opportunity to bring prices down over time.

Rushabh Shah: So with all these initiatives that we just spoken about the cost can come down by more than 15% at least?

Vellayan Subbiah: Yes. So we don't want to guide on what costs will come down by. But obviously, kind of the targets have to be significant.

Moderator: The next question is from the line of Rohit from Nvest Analytics Advisory LLP.

Rohit: Congrats for a good set of numbers. Sir, I would want to know more about this medical devices Greenfield project that you are speaking about. What are you going to do there? And when you expect to manufacture some product from your Greenfield project in Noida? If you can provide some color on that and timeline, sir.

Mukesh Ahuja: Yes. So we are in the process of doing land acquisition as of now, and we will take about 1 year time to go for commercial production. And we will be investing in the area of medical consumables only because it is a field we have chosen for TI Medical as of now. And it is expected to start commercial production by Q2 of next year.

Rohit: Okay. And what about the electronics side of your business, the lens and stuff. So have you enhanced or expanded your portfolio now or you are still at the same stage where you did that acquisition on the lens side. So what is your strategic intention there?

Mukesh Ahuja: So as of now, let's say, we are in the same process of where maybe we were working with the customers for the lens, particularly approval process and our samples got approved. And we are in the phase of how to do ramp up. But it is too early to say that because the entire middle would be for export purposes. As you know, we are working, but we agree, progress is a bit slow on that.

Moderator: The next follow-up question is from the line of Jinesh Gandhi from AMBIT Capital.

Jinesh Gandhi: Can you talk about the Mobility business? We have seen a good ramp-up in revenues in 1Q. I believe this is largely made by e3-wheelers. So what kind of volumes are we doing there? And how it should scale up over next 9 months of this financial year?

Vellayan Subbiah: Yes. So Jinesh, you're right, so kind of 3-wheeler has been the larger contributor. And then the second contributor, obviously, is coming from IPLT. I would say, right now, where about 2/3 is 3-wheeler and 1/3 from the heavy truck is what the first quarter was. We do expect the numbers to basically increase over the next few quarters significantly. So that's where we -- I do believe we will see the largest ramp. We don't think we want to guide specifically now, but we definitely see opportunity to increase those numbers over the next couple of quarters.

So 3-wheeler definitely, I mean, one of the things with 3-wheeler obviously is that it's a bit dependent on what's going to happen with this EMPS scheme and whether FAME-III will get announced. The truck, as you know, we sell without subsidy. And so I think the good thing -- good news on the truck is that we have seen customers put in orders of like we got our first order for 50 trucks, and that was a customer that had bought -- so basically customers are beginning to buy at scale, right? And so that's the basic shift. But I think that as that ramps and that's ramping up without subsidy, that contribution will also become more significant in our mix. The third product will likely contribute in the fourth quarter will be the small commercial vehicle.

Jinesh Gandhi: Right, right, right. And would it be possible to share volumes of e3-wheelers and trucks for the fourth quarter?

Vellayan Subbiah: So my sense is that we'll start sharing volumes by the fourth quarter, right? I don't think we want to share volumes before that, around that time we will start sharing volume.

Jinesh Gandhi: Okay. Okay. Got it. And the second question pertains to the Metal Formed business. So we have seen a relatively muted revenue there, but considering there are multiple sub-segments within that, would it be possible to talk about how some of the key businesses within Metal Formed are doing? Are there material divergences in terms of growth trajectory in some of the sub-segments within Metal Formed?

Mukesh Ahuja: So Mr. Gandhi, there, Metal Formed division is depending on the 4-wheeler, which was a bit muted in the first quarter. So we feel that's a temporary issue. And on the margin side, railway margins are under pressure because of the tender business, where we are participating very, very selectively. So we feel these issues are temporary, maybe 1 or 2 -- maybe in a quarter or so, it would get resolved.

Jinesh Gandhi: Okay. So overall performance across sub-segments were relatively in that 3%, 4% kind of range growth?

Mukesh Ahuja: No. We should be able to do it here also. Like earlier, we told about double-digit growth. So because of the 4-wheeler slowdown in the commercial vehicle as well as the PV, that's why Q1 was a little lower.

Jinesh Gandhi: Sure, sir. What I meant is for the first quarter, most of the sub-segments were in similar trajectory, 3%, 4% kind of a growth. There were no divergences in performance?

Mukesh Ahuja: Yes, that's right.

Jinesh Gandhi: Got it. And last clarification on the truck business. You talked about starting to take orders for 50 trucks. So here, we will be building up order book and supplies will start happening gradually? Or now we have manufacturing capacity, which is ready to deliver as orders start coming in?

Vellayan Subbiah: So we are manufacturing capacity definitely for any orders that we get. So the thing right now is that when we -- so I would say, yes, we are not manufacturing capacity constraint in that business.

There is a slight lag sometimes during -- due to supply chain, right? Like I said, quite a few of the components have come from China. So it's not a manufacturing capacity, but sometimes supply chain can cause a little bit of a lag.

Jinesh Gandhi: Yes, that is understandable. And lastly, sorry, I'll just take this opportunity for last question. the Cycles business seems to have started to stabilize. Anything to call out there? Is the decline now largely behind us given the base is also low? Or the growth, which we are seeing sequentially is more to do a ramp-up in exports?

Mukesh Ahuja: So Jinesh, maybe your observation is right. Maybe first was to how to contain losses and which has been done. And we are working on the exports and e-bike, which are the growth possibilities in this business, which is a work in progress, I would say. And too early to comment on that because exports happens with a little longer cycle that's a work in progress.

Jinesh Gandhi: Okay. The domestic has stabilized or there we are still seeing decline?

Mukesh Ahuja: Yes, we can say that downside is stabilized.

Moderator: The next question is from the line of Mudit Bhandari from IIFL Securities Limited.

Mudit Bhandari: Sir, my first question regarding Lotus Surgicals. So whether we have received the approval for export, particularly to Europe and whether we have started exporting or any timelines for the same?

Mukesh Ahuja: So like I stated earlier, maybe we have started that export process. And there are 1 or 2 countries where we already started doing exports and a few countries we are in the process of getting approvals. So you will see momentum in another 1 or 2 quarters across exports in the Lotus Surgicals business.

Mudit Bhandari: Okay. Got it. And whether this is lodged within Metal Formed division, so we plan to commission large diameter to the tubes capacity around mid-FY '25. So what will be the capacity utilization after this is commissioned? As far as I remember, in previous call, it was around 85% or so.

Vellayan Subbiah: So, Mudit, just to give you a sense, large diameter is not in Metal Formed. That's in the Engineering division, but go ahead with your answer.

Mukesh Ahuja: So this capacity expansion, like we said that in H2, it will get materialized. And part of the capacity is already up and running. And as of now we can say that after this expansion, capacity utilization will be good enough to take care of next 2 years' demand. And maybe earlier it was, like you said, that it was 85% to 90%. And after this expansion, it will come down to 70%, which will take another 1 or 2 years to come back to those numbers of around 85% to 90%.

Mudit Bhandari: Okay. Got it. Got it. And last one from Mobility business. So it has seen some traction, particularly in this quarter, both with revenues and EBIT. So any particular thing? Or this is -- this will be incrementally positive from here onwards?

Mukesh Ahuja: Not generally, maybe you see that Q1 is always a seasonal business for Mobility, and that's why you see momentum. And like we said earlier, maybe let's say we are working on the exports and new line of business in this area which is a working problem.

Moderator: The next question is from the line of Abhishek Ghosh from DSP Mutual Funds.

Abhishek Ghosh: Just a few questions. First is on the commercial vehicle part of it. Sir, you mentioned that you are. Am I audible?

Vellayan Subbiah: Yes, yes, we can hear you.

Abhishek Ghosh: Yes. So in terms of commercial vehicle, you've got some repeat orders. So you've mentioned that you've got large orders. So those are kind of repeat orders, and you are very satisfied with the performance of the vehicle? How should we look at it as far as the commercial vehicle part is concerned, sir?

Vellayan Subbiah: Yes. So there have been repeat orders. And so that is the encouraging part in that business. And yes, it has been because vehicle performance has gotten the customer satisfied enough that they are willing to buy more and scale the business. So I think, definitely, what we see is that there's a whole process initially in the sales cycle where customers take between 3 and 5 vehicles, and they basically try those vehicles.

So first, we go give them a trial, then they take between 3 and 5 vehicles and run those vehicles for a while. And then the next process is this process of scaling. So that's why we are quite encouraged by the fact that the first customer has basically put in a large order, and we started delivering against that as well.

Abhishek Ghosh: Okay. So your first line of hurdle you've kind of overcome with certain proportion of clients, you need to now extend it to a larger proportion. That's the way to look at this piece of the business?

Vellayan Subbiah: Absolutely. So I think two things now. We'll have to keep feeding the 3 to 5 in more and more customers. So you're building the funnel, right? So you think of it as three stages. First is they take trials. Then the second is they buy 3 to 5, and the third is that they expand. So the encouraging thing is that now we're seeing people go to that third phase. And that's quite encouraging for us, right? So obviously, we're continuing to do both, right? We continue -- we need to get a lot more in the 3 to 5 category as well, right? Because that's what we'll convert later.

Abhishek Ghosh: Absolutely. Absolutely. And on the supply side, you will also have to create that ecosystem around so that if that 3 to 5 conversion happens to 40-50, you are able to also supply that. That is something you'll have to also work on.

Vellayan Subbiah: So that's the biggest thing, right? So that's why I'm saying on the supply chain side, like I said, there are 3 or 4 initiatives. One is which is to begin to indigenize components that are basically currently not made in the country. Because if we have vendors around us, that's obviously kind of reducing our lead times in the supply chain.

The second is what we call design-ins, right, which is we want to start designing some of these components. That's a bit longer term, right? And then third, like I said, like with battery setting up our own packing plant, then -- and that's getting set up in Manasir and that's co-located with the factory with the assembly line as well. So all of these things will then start reducing our supply chain lead times, right?

Abhishek Ghosh: Got it. Sir, the other thing is also, if you just broadly see your engineering capabilities are very, very credible. And what we are seeing along the country is because of multiple things, because of China Plus One, there is a lot of opportunity, which is coming on the engineering part of it. So are there new sectors which are also opening up for you? Anything more from a 3- to 5-year period because exports is something that you have built around the last 5 years. But even from the domestic perspective, you think are there opportunities into various sectors that are coming up for the engineering side?

Vellayan Subbiah: It is broadly an area that we continue to explore. And I think that if anything do materialize, obviously, it's things that we will kind of bring to you. But broadly, we're in agreement with that thesis, right? So there's a lot of opportunity. What we wanted to focus on our businesses that are going to be much more growth-oriented in India, right? And then being able to use that Indian base to once you've established a base in India being able to kind of take that product to more global clients, right?

And so some of these are capability sets that already exist. But when you look at this China Plus One view, we're also continuing to look at things that may not exist in India, right, in terms of capability sets. And then saying, how do we leverage those? Because I think that is what's going to offer more growth opportunity and be more protected for a longer period of time. I don't know -- hopefully, that answers your question.

And just coming back to your earlier point, the earlier point on the heavy trucks. The encouraging thing is that it's not just kind of the vehicle performance, but basically, it's the economics as well, right, which is the customers that have begun to deploy have basically begun to see at least a 10% to 15% reduction in overall logistics costs, right?

And so in some industries, that's a very significant number, right? So when you begin to look at the cement industry, the steel industry, which is where kind of quite a few of our initial customers are. So the 50 truck order was from a steel customer. But now we're seeing progress in the cement side as well. And when you start getting to 10% to 15% plus reductions in logistics cost for that segment, that's a huge number, right? And kind of it moves the needle significantly for them. So that's where we're seeing a lot of interest, basically -- therefore, we're seeing that beginning to play out significantly as well.

Abhishek Ghosh: Great, sir. Sir, I have one last question. Is it okay if I go ahead?

Mukesh Ahuja: Yes, please.

Abhishek Ghosh: Yes. Sir, on the railways part of it, in terms of your capability, both as Tube and as a group is fairly high now with CG Power. And we are seeing a lot of traction in terms of the increase in railway capex and other things. Some of the performance has been muted. We've been speaking about a lot of tenders coming out, but that has not kind of gotten reflected. How should we look at this piece over the next 3 to 5 years, sir?

Vellayan Subbiah: So CG -- on the CG side is definitely going to start scaling. The thing that we've announced there publicly is that we bought a majority in a company called G G Tronics, okay? And there, that basically gives us opportunities to participate in coverage. You're probably familiar with this train collision avoiding system. That's going to be one of the larger areas of focus for the railways in the coming years. And those tenders will start coming out.

So like you know, what takes time to ramp, obviously, is that you go through a tender process. So those tenders will likely start coming out in the October timeframe, which means some implementation will start this financial year itself is the general sense that I get. But there I think what we're also doing is bulking up significantly on our engineering capability.

So what we'll start seeing is that as train 18 of Vande Bharat basically starts picking up and ramping, which I think is going to start happening towards the end of this year and then kind of next year, between that and kind of coverage and the regular business on both traction and propulsion, I think we will start seeing those numbers increase towards the second half of this year and then into next year. And I definitely see in the 3- to 5-year period, that is going to be a huge growth area for us.

Moderator: The next question is from the line of Ajox from Sundaram Mutual Funds.

Ajox: Sir, my question is on the core businesses, which is Engineering and Metal Formed. We aspire to grow double digit. So what gives us that confidence, sir? Like, can you tie it up with the base industry growth, let's say, assuming a CV and a PV softness? So from that angle, how are we thinking about this double-digit growth?

Mukesh Ahuja: So basically growth will be driver of 2, 3 functions. One is you see the construction industry and the non-auto is really -- there's a good growth happening in the country, we wish to participate that. That is number 1.

Coming to number 2, when in EV, particularly battery weight and all those things, it's becoming very, very heavy, and there is a huge pressure on the OEMs to reduce the weight of components, where we have a good metallurgical as well as engineering strength, we want to participate that in the second. And third will be exports. Maybe if you see at a global level, we hardly have any market share in whatever we enjoy good market share in our Metal Formed as well as Tubes. The same thing can be leveraged at the global markets.

Ajox: Got it, sir. And if you just give color on how much is the proportion of CV in Metal Formed right now?

Mukesh Ahuja: CVs, we don't measure it internally.

Vellayan Subbiah: But you're saying CV, is it?

Ajox: CV.

Vellayan Subbiah: Relatively small, right?

Mukesh Ahuja: Yes very, very small.

Vellayan Subbiah: It will probably be less than 5%.

Ajox: No. I mean, I'm just coming from the earlier answer, where CVs kind of slowdown and that impacted Metal Formed growth for the quarter?

Mukesh Ahuja: Sir, we said PV.

Ajox: Okay. So how much is that right now?

Mukesh Ahuja: It should be around almost 50% of the business.

Moderator: The next question is from the line of Sundar from Avendus Spark.

Sundar: My question is slightly broad-based here. It is largely about what is the game plan that we have for TI 2 and TI 3 initiatives. I know a lot of these initiatives have taken a kind of a backstep in the last about 12 to 18 months. I understand these were consolidated. So where are we in that process? And which segment should we look forward to in terms of a TI 2 or a TI 3 exploration?

Vellayan Subbiah: Yes. So if we think of it, in terms of focus areas, right? Like I've always said with TI 2, they'll have a different kind of rate of burn, right? See, TI 3 is kind of a bit of a binary answer, right, which is it kind of really depends on whether a market opportunity offers itself up. And what I usually see is in markets like this where everything is kind of very richly valued, there's not a huge opportunity for value buys, right? And like you know, with TI 3, we're very focused on value buys.

So I don't see this environment offering up kind of those opportunities. If it obviously -- if there is a slightly distressed deal that comes up, then we will look at it. But obviously, I don't see this as the environment for that. If you take TI 2, right, kind of clearly our number 1 bet, our largest bet, has been on electric way that will continue to be the one area that I do think you'll slowly begin to see kind of scale develop. It will take -- I mean, over the next 18 months, I definitely do see some scale beginning to develop in that area, right?

So if you were to -- look at kind of -- so TI 2 is the area that we might kind of add one more segment. I think the segments in which we've invested in any significant scale have been the -- it will be medical devices and CDMO, right? So medical devices, like Mukesh mentioned, we're beginning to witness at least like 25% organic growth on what we've acquired. And I would actually say it's standing even more towards like a 30% number.

So the good thing there is kind of an acquisition path will continue. And we will -- we are beginning -- we are seeing at least 25% to 30% organic growth. And there, we're adding 1 Greenfield unit. So that's the plan for TI medical devices.

CDMO, 3xper, like you know, it's a business that takes a long time to build, right? And that's why I don't like kind of providing any guidance on that business because, honestly, that business is something that we're saying we're totally comfortable even it takes like 5 or 6 years to kind of build, right? While there will be kind of pressure and focus on the team or near-term performance, it's not something that basically I think will contribute materially to those numbers in the early days, right?

But I feel very comfortable with the way that business is scaling out. The -- where we have had challenges have been on kind of the whole electronics area between kind of lens and camera modules, where we are basically seeing that the supply chain is significantly controlled by China. And the ability to kind of break into this Chinese -- into the Chinese supply chain, I think it's something that, honestly, we are kind of struggling to do, right?

And so the -- that's one area where I would say kind of -- so as far as we are concerned, kind of the jury is still out. We continue to put significant efforts towards that business, but that's the challenge we're finding there. And as far as TI 2 is concerned in terms of new areas, it's something that we are continuing to explore. We have identified one area in which we will start taking some -- in which we will take some action, which we think is a good growth segment, again, for the long term.

And again, our approach in that segment will again be acquisitive to start with and then building up a base in that segment. So I think with these 4 segments, one of which is kind of -- one of which is jury -- so it's basically 4 plus 1, and 1 of which the jury is still out on as to whether we can scale well in that business or not. I don't know if that gives you a good...

Sundar: No, no, a very, very detailed one, broadly what I wanted. Just one other point to add to this is that in terms of capital allocation. So out of the cash flow that we're going to generate out of the standalone business, are we going to invest more into the TICMPL? Would be cash in books INR3,000 crores that we've raised, would it be surprising enough? Or where are we looking to put that money? Are we going to invest further in terms of Lotus or 3xper. So what's the thought process in terms of capital allocation from here on, sir?

Vellayan Subbiah: Absolutely, right? So that's a great question. You just think about this, right? So kind of that's why I articulated the segments as I did. So the first thing is that we have taken any capital needs of TICMPL off the table, right? So just to give you a sense, in TI Clean Mobility, we've raised a total of INR3,000 crores, off of which kind of over half of it is still in the bank, right? After all the factories are built out. And so that is the largest part of the capex is factory build-out and tuning. And the second -- and so after all the factories are built out, we will still have a significant amount of that portion in the bank, right? So kind of in excess of INR1,000 crores, more like INR1,100 crores plus in the bank after everything is built out, right? So that gives us significant runway in that business.

And so as we foresee it, we will not need more capital from TI's free cash flow in the TI Clean Mobility business. The only reason we might invest is, is kind of the -- is a business which is kind of growing brilliantly, and we basically see an opportunity to scale much faster. But for this set of growth, TI Clean Mobility is adequately capitalized.

So capital allocation then. Like I said, the jury is still out on this electronics business. So whilst that's a phase, we're not going to kind of allocate right now large -- lots of capital to it till it is able to prove itself out. So capital allocation is going to go, 3xper's capital is known. It's a slower burn in the early days. It will likely consume about INR100 crores to INR150 crores. INR100 crores a year in the early days and then kind of scale up. Because even there once we build out the pilot plant kind of -- and the full commercial plant, that capital allocation is known.

So majority of capital allocation will go towards TI Medical, and any new sectors that we identify or for which we've identified one right now. Honestly, I think with this one sector we've identified, we will probably hold and not add any sectors after that unless we find again something that is like an incredibly good opportunity.

So that should give you a sense on the capital allocation side as to where it's going to get allocated because now the focus is to take this -- take -- if we have 4 good segments that we can scale, I think that in itself is a good thing. That's the way I look at it.

Sundar: And just last one to actually presume that the new opportunity that we're looking at will be much larger in terms of investment size when compared to what we've done on Medical or 3xper?

Vellayan Subbiah: No. Each of them has the potential to grow larger, right? But like I said, kind of the way we see kind of getting into it is, first, you've got to get to that -- you got to prove the scale, right? So now, is the comfort going up with medical devices? I mean it's only because we're seeing the capability to grow the business organically. Once we make an inorganic move, we have to be able to grow the business organically at least at that 25% to 30% growth rate. Otherwise, it's not worth it, right?

So we need to basically -- we need to look at it from that perspective and say that first, let the business prove itself, right? But all the businesses we're looking at, right, whether you talk about CDMO, whether you talk about Medical Devices, whether you talk about EV or whether you talk about the new segment we're looking at, all of them are businesses that can consume large slugs of capital. What gives us the confidence to consume that large slug of capital is first being able to see that we can deliver on what we do inorganically, right? So we don't want to go and double down on it before we feel that level of confidence internally.

Moderator: The next question is from the line of Vipulkumar Shah from Sumangal Investments.

Vipulkumar Shah: My question is as we scale our electric business, which is showing very promising results, so what type of EBITDA losses we should expect in the initial phase as we scale the business?

Vellayan Subbiah: Sorry, sir, I don't think we heard what business you were talking about?

Vipulkumar Shah: Electric vehicles business.

Vellayan Subbiah: Yes. So EV, we don't want to guide on kind of EBITDA level guidance at this point in time, right, because there's a different kind of set of the things. Obviously, the one thing that we're very focused on is that we will be very efficient with our capital, right? Our intent is not to kind of burn up. And the reason we're saying that, as you can see, how far we are taking just the capital we've raised itself, right?

We built out 4 factories, launching 4 products. Product development is done. Acquisitions where they needed to have been done are done. So we're going to be very conscious from a capital allocation perspective. And at this stage, I'm fairly confident that just with this, we should be able to reach -- just with the cash in hand, we will be able to reach positive EBITDA level.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Vellayan Subbiah: Thank you. I think the broad commentary is, especially in electric vehicles and some of the new segments, I mean, electric vehicles will continue to be quite bullish. And I think your comments are kind of well taken. We'll take that in input as we go forward. Thank you.

Moderator: On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.