



**“Tube Investments of India Limited  
Q2 FY '25 Earnings Conference Call”**

**November 05, 2024**



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**MODERATOR:** **MR. ANUPAM GUPTA – IIFL SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Tube Investments Q2 FY '25 Earnings Conference Call hosted by IIFL Securities 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



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presentation concludes. Should you need assistance during the conference call, please signal an **Moderator:** by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anupam Gupta from IIFL Securities Limited. Over to you, sir.

**Anupam Gupta:**

Yes. Thanks, Sholk and good morning, everyone, and welcome to the second quarter call for Tube Investments of India. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman for TI; Mr. Mukesh Ahuja, Managing Director; Mr. AN Meyyappan, Chief Financial Officer for TI; Mr. Shivdeep Singh Jammu, Division Head, TPI; Mr. U. Rajagopal, Division Head for TI Cycles; Mr. N. Govindarajan, CEO for 3xper Innoventure Limited; Mr. Anurag Vohra, COO for the TI Clean Mobility Private Limited; and Mr. S. Gopalkrishnan, CFO for TI Clean Mobility Private Limited.

To start off, I'll hand it over to Mr. Subbiah for the opening remarks and post that we can have the Q&A. Over to you, sir.

**Vellayan Subbiah:**

Yes, thank you so much. Revenue -- so I'll just go through stand-alone results for the quarter and then we'll open it up to Q&A. So, revenue for the quarter was at INR2,065 crores compared with INR1,970 crores for the same period last year. PBT was at INR225 crores, which is lower than what we were last year at INR245 crores. ROIC annualized is at 45% for the quarter compared with 67% for the same period in the previous year and free cash flow for the quarter was at INR60 crores.

In terms of the individual businesses, Engineering revenue was at INR1,323 crores compared with INR1,274 crores in the corresponding quarter of the previous year and PBIT for the quarter was INR162 crores as against INR169 crores in the corresponding quarter.

For Metal Formed Products, the revenue was at INR404 crores compared with INR400 crores in the corresponding quarter of the previous year. And PBIT was INR46 crores as against INR53 crores in the corresponding quarter of the previous year.

For our bicycle business, revenue for the quarter was INR168 crores compared with INR177 crores in the corresponding quarter. And loss before interest and tax was at INR0.36 crores as against INR3 crores in the corresponding quarter of the previous year. For others, the revenue for the quarter was at INR243 crores compared with INR207 crores in the corresponding quarter of the previous year. And PBIT was at INR9 crores as against INR17 crores in the corresponding quarter of the previous year. And TII's consolidated revenue for the quarter was at INR4,925 crores as against INR4,306 crores in the corresponding quarter of the previous year. And the profit for the quarter was at INR426 crores as against INR499 crores in the corresponding quarter of the previous year.



CG Power, a subsidiary, in which the company holds a 58% stake, registered consolidated revenue of INR2,413 crores as against INR2,002 crores in the corresponding quarter. And profit before tax was INR294 crores as against INR303 crores in the corresponding quarter.

Shanthi Gears, registered a revenue of INR155 crores as against INR135 crores in the corresponding quarter and PBT was at INR34 crores as against INR30 crores in the corresponding quarter of the previous year.

So, let me stop with that, and we'll be happy to turn it over to you for questions.

**Moderator:** The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP.

**CA Garvit Goyal:** My first question is like in the last quarter, you mentioned about double-digit growth that we are seeking at a consolidated level. So, when I look at H1 numbers this year, we are up by 16% Y-o-Y in revenue terms, right? But if I look at the bottom line, that is declining due to fall in the margin. So, can you comment, like, how do you look at this scenario? And do you see we will be able to improve our margins from here on and the top line as well hand in hand in near to medium term? So that is my first question, sir.

**Vellayan Subbiah:** Yes. So, we do expect a better second half -- so on the specific terms of margins, Mukesh, do you just want to walk us through kind of what we see and kind of what happened?

**Mukesh Ahuja:** Yes. On the stand-alone business, in the Engineering business, the margin has grown, but particularly, we had the onetime expenses in this quarter, which is one time, and they'll get corrected, like Mr. Vellayan said that H2, we expect it to be much better.

In terms of Metal Formed division, we are facing issues with the railway business and there, we have to take some course correction in terms of product development for the cost control, which team is on the job. And we -- hopefully, quarter 2 and quarter 3 will be better for the railway division. Like in the bicycle business, you see that losses are under control, and we are operating at a breakeven. And we see now some export orders are coming in Q3 and Q4, and we expect those things will also be better going forward in the stand-alone business better.

At a consol level, even CG Power has done pretty well. SGL has also pretty done pretty well. And TICMPL, we all are aware that it's a growing business, which we will have some losses going forward. But long-term basis, we are very, very bullish about this business also.

**CA Garvit Goyal:** That onetime expense, you talked about what is that? What is the nature of that trend?

**Mukesh Ahuja:** It is operational expenses, which are onetime. If we have to just indicate numbers, it looks like a flat in the Engineering division, if we take care of those operational expenses one time.

**CA Garvit Goyal:** So, are you saying in H2, we will be witnessing improvement in the margins from here on, right?

**Mukesh Ahuja:** Yes, that's right.



- CA Garvit Goyal:** Fine. And secondly, sir, like, how many dealers do we have for electric 3-wheelers right now?
- Gopalakrishnan:** Currently, 83 dealers are operational.
- CA Garvit Goyal:** And I think we were having a target of 150 by the end of this year. So, is the target intact? Or are we facing any challenges?
- Gopalakrishnan:** Yes, yes. We will be on target. Basically, the team is in the process of appointing dealers in North, East and West, the work is going on. We have also issued LOI for a number of dealers. So, by end of March, we'll be reaching the target as we planned.
- CA Garvit Goyal:** And lastly, sir, do you see any near-term risk in our segments like Engineering, Power and Metal Formed products?
- Mukesh Ahuja:** No, no, we don't see a risk on those things. Rather, we are working on, if the cyclicity of the auto industry plays like this, like you've seen in this quarter, PV and CV both have not done well. So, we are looking for maybe some initiative, how to further diversify in terms of non-autos or some other initiatives. So, we don't foresee any risk in Engineering as well as Metal Formed going forward.
- Moderator:** The next question comes from the line of Jinesh Gandhi from AMBIT Capital.
- Jinesh Gandhi:** Quickly want to check a clarification. For the Engineering business, you mentioned margins would have been flat if onetime expenses were not there flat vis-a-vis second quarter of last year at about 13.3%. Is that the right understanding?
- Mukesh Ahuja:** Yes. If we see this year, quarter-on-quarter, maybe it's flat. And if we compare with the last year quarter, maybe let's see it's slightly down because of the onetime expenses and we are hopeful to get back in the next quarter itself.
- Jinesh Gandhi:** Got it. So sequentially, it would be flat margins if onetime expenses are not there? Secondly, if I look at the Engineering business revenue growth that seems to be much lower than what we have seen growth of underlying industries which caters to 2-wheelers and PVs in that context? Any reason why growth has been muted. I believe exports also have seen a recovery. So, what is that I'm missing over here?
- Mukesh Ahuja:** So, Jinesh, let's say, let me go segment by segment. Exports has done pretty well in this quarter. We have very high double-digit growth have happened in the exports business. And 2-wheeler also has done pretty well because the industry was supported. But as you are aware, PV and HCV industries didn't do well. So those segments because of the market issues which were beyond our control, but exports as well as 2-wheelers, we have even gained shares as well as exports, we are bullish about it going forward.



- Jinesh Gandhi:** So, exports for Engineering are now close to 20% of Engineering revenues or still lower than that?
- Mukesh Ahuja:** That's right. It is 20%.
- Jinesh Gandhi:** And similarly, for Metal Formed business, how big railway business would be now? I believe that business has been not growing for some time now. So, the share of railway now quite small for Metal Formed?
- Mukesh Ahuja:** So, railway basically, I mean, we are facing issues on the pricing side. So, the margin is coming under pressure. But other parts of the business, whether it is auto chains or fine blanking, that is doing pretty well. So, railways now we are controlling it. There's no point in holding for the tenders, which are going to have an impact on the margin. So that business, but it is not very large, but we can say about 15% of the MFD revenues are coming from that division and which we need to take some actions going forward.
- Jinesh Gandhi:** Okay. The reason I'm asking it again, this segment has seen a muted growth. I'm presuming this would be largely because of PV is being weak. Would that be right understanding?
- Mukesh Ahuja:** Yes, like PV is weak. MF Auto is into door frame business. But like you said, that because PV was almost leading to a negative growth, so -- but margins were very well maintained in doorframe business. The issue was basically railways.
- Jinesh Gandhi:** And third question is on the electric mobility segment revenues, which grew 25% vis-a-vis first quarter. If I look at the volumes for electric 3-wheelers, they have gone up by more than 2x on a sequential basis. So, is that beyond electric 3-wheelers revenues have declined substantially in 2Q and hence, overall e-mobility business growth is just 25% despite 8-wheelers wholesale growing more than 100%?
- Gopalakrishnan:** Jinesh, can you just repeat the question, please? Your voice is not clear.
- Jinesh Gandhi:** Yes. So, if I look at our electric 3-wheeler wholesale in 2Q were close to 3,800 versus 1,750 in Q1. Despite that, our like e-mobility business revenues have just grown by about 25%. So, is that business beyond electric 3-wheelers has declined on a sequential basis by a material manner?
- Vellayan Subbiah:** No. Sequential basis, there is a growth in the similar business.
- Gopalakrishnan:** See, in Q1, in 3-wheeler, we sold around 1,763 vehicles. In Q2, we did around 2,033 numbers. So sequentially, if you look at the turnover went up actually from INR68 crores to INR79 crores in 3-wheeler business. In IPLTech also, we sold around 29 vehicles in Q1. In Q2, it was 42



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numbers. So there also the turnover went up from INR33 crores to INR46 crores. So overall, if you look at the consolidated turnover has gone up from INR117 crores to INR146 crores in Q2.

**Jinesh Gandhi:** And any update on the existing markets in South India, how our market share has been spending on the latest 3-wheelers in the markets that we have been present for some time now, how is the market evolution, how has been our market share evolution in those markets?

**Mukesh Ahuja:** Anuragji, you would like to answer?

**Anurag Vohra:** So, Jinesh, as far as the 3-wheeler is concerned, South was the market where the first launch was done, and we have grown on the market share. We are still sustaining this high market share in the Southern region, which is almost close to 24%, 25% plus. So that's how it has been. And beyond Southern markets also, the volumes are now growing across the country.

**Jinesh Gandhi:** Okay. Sorry, I missed that number. You are saying in Southern markets, our market share is 44%, 45% did I catch that number properly?

**Anurag Vohra:** 24% to 25%.

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

**Ajox Frederick:** Sir, my first question is on exports. So, can you help me understand the share of exports apart from Engineering, sir, like Metal Formed and others? Engineering, I understand is 20% apart from that?

**Mukesh Ahuja:** Overall, it is 16% sales for this quarter -- on the overall sales 16% is in exports.

**Ajox Frederick:** On overall sales. Okay, okay. And sir, what's the outlook, like, if we are hearing some softness across multiple ancillary players. So, what is your sense of export outlook?

**Mukesh Ahuja:** So, we are participating more and more on the geographies. But like you rightly said that Europe is going to -- little bit those markets are softening. So, we are alternatively trying in the South Asia and the U.S. markets, and we hope to continue this momentum going forward.

**Ajox Frederick:** Okay, sir. Got it. And sir, the second question is on the subs. So, on medical CDMO. What are the plans for scaling this up because it has been sequentially where it has been. So just some thoughts on the plan going forward.

**Govindarajan Narayanan:** On the CDMO, we have commissioned our lab, and we have already started working with the customers. So far, we have we are serving around 30 customers and we will have served around 44, 45 projects so far and so for most of the customers are continuing with us. I mean coming with more and more number of projects. These customers include certain innovative companies directly, certain companies through scientist.com apart from specialty certain chemical customers as well.



As far as our plant is concerned, our kilo labs is already commissioned. And as far as the semi-commercial plant is concerned, we are planning to start our batches by end of November. And if everything goes, we are also waiting for one permission from the government in terms of environmental clearance. If that also happens within time, we'd be able to file 1 or 2 products by the end of first quarter after 3 months of stability.

**Ajox Frederick:**

And sir, the final question is on the domestic growth outlook. We understand railways is under pressure and PV and CVs are also under pressure. So apart from this, what gives us the confidence of generating the volume growth you're expecting from the growth side, sir?

**Mukesh Ahuja:**

So, one of the things, maybe, let's say, for TI, particularly engineering division as well as MFPD, we are fully diversified for all the segments of the auto industry and parallelly we have non-auto applications. So, this gives us a confidence that maybe if some segments will not do well, some segments will do well. But totally diversification for all the segments in the auto industry and the push on the non-auto as well as export side of the story, gives us the confidence we will be able to grow going forward.

**Moderator:**

The next question comes from the line of Anupam from IIFL Securities.

**Anupam Gupta:**

So, the question first is on the Clean Mobility business. So, while you are expanding your dealerships, what we have also seen is that in terms of the overall landscape, clearly, Bajaj has emerged very strong and they are now like almost leading with Mahindra & Mahindra. So, what is our plan, at least, especially in the 3-wheeler side of it to accelerate the sort of volume share there? And what can actually support that sort of volume growth to compete with the 2 large incumbents who were there?

**Mukesh Ahuja:**

Yes, Anurag, do you want to take it?

**Anurag Vohra:**

Yes. Anupam, thanks for this question. See what's happening is, we're scaling up as we are growing across the geographies. The product acceptance has been quite good in the market. The feedback from the customers is exceptionally well. And we are today now looking at how do we keep increasing the numbers. So, right now, we are present, as we spoke about, in close to around 80-plus dealership across 60, 65 cities. But as we keep growing on an all-India basis, we are improving our numbers, and we hope to also improve our market shares.

**Anupam Gupta:**

Okay. And especially in the 3-wheeler side of it, how soon will you be able to launch the cargo version as well?

**Anurag Vohra:**

So, cargo version also would be coming in the next couple of months, it will be there. The protos, the beta testing, validation, customer trials are all going on. We will be also introducing that product in the next couple of months.

**Anupam Gupta:**

Understand. Okay. And quickly, can you just update on the other launches. So, let's say, the SCV as well as the tractor which was scheduled for this year?



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- Anurag Vohra:** So, both the other launches, which is the small commercial vehicle and the farm tractor would also be coming in this quarter or next quarter. In the next couple of months, both the products would be there. Both the products are -- as I said, under testing, the proto testing, the beta testing, the customer testing, field validation is in progress, and we hope in the next 2 to 3 months to bring both the products into the market.
- Anupam Gupta:** And just lastly, in the Clean Mobility side, sir, last quarter, you had said that you have seen improving traction for IPLTech truck side of it. So, any update there? And also, what we have seen is Ashok Leyland has also launched a competitor for you exactly in the same segment. So how do you see that segment scaling up in terms of customer acceptance as well as, let's say, the competition coming in?
- Anurag Vohra:** There again, it's taken a while for the customer to first accept the truck, then realize the economics from the truck, right? And now the customer confidence is very high. We are sitting on good number of orders to be fulfilled in this quarter and in next quarter. And it's the segment-wise solutioning approach which we have taken.
- And customers when they have themselves realized the benefits of using an EV truck though it's an expensive truck with a high Capex, but then when they have seen the operational economics and also the environmental benefits I think it's a good confidence which we are getting from the customers.
- Anupam Gupta:** Just one more question. Any update we have for Moshine business? We had mentioned that we were doing some trials for -- with a few customers. Any update there for Moshine and what's the path ahead for that?
- Mukesh Ahuja:** I hope that trials were being done for the TIOS business, which is a lens business as a part auto. We are working on the capability building to do a larger lenses on that. And the work is in progress. We hope to finish it by next quarter and so that we are trying to do development of alternate customers in that business and we expect it to get completed by next few quarters.
- Anupam Gupta:** So, you that is for the optical lenses business.
- Mukesh Ahuja:** Optical lens business. Coming too Moshine, may be let's say, the mobile camera business. And there, like you are aware, the entire supply chain is controlled by the China and there is hardly any control in the ecosystem, particularly in India. So, we continue to operate as of now, and we'll let you know going forward how to handle the business.
- Moderator:** The next question is from the line of CA Garvit Goyal: from Nvest Analytics Advisory LLP.
- CA Garvit Goyal:** Sir, my question is answered.
- Moderator:** The next question is from the line of Jinesh Gandhi from AMBIT Capital.





- Jinesh Gandhi:** My second question is on the industrial chain new plant, which we indicated is operating at full capacity. So, is the business momentum strong there? Do we need to invest in expanding the capacity now? How do we see that opportunity?
- Mukesh Ahuja:** So industrial chain, whatever greenfield plant we have put up, that is fully running, and we have a capacity available to further ramp up the business. Basically, we are targeting the segments, Agri as well as conveyor and lifting chains. So those development work is on, but the plant is fully commissioned and operational.
- Jinesh Gandhi:** And it's operating at full capacity or it could be increasing?
- Mukesh Ahuja:** We've got capacity ramp up.
- Jinesh Gandhi:** Ramp-up is good. Okay. Got it. And lastly, the medical devices business saw just about 4% growth Y-o-Y. Is there any challenge in that business or it's more of a timing difference leading to just 4% growth?
- Mukesh Ahuja:** So, it's just a timing issue, we are doing pretty well in the domestic market. Even the last quarter growth was high double 2 digits in that business around 18% to 19%. And like you are aware, for exports market in the medical devices business you have to follow a process of C-Registration and all those processes are on. We expect another 1 quarter, 2 quarter that process will be over, then we'll see a good momentum going forward for the export business also.
- Moderator:** The next question is from the line of Abhinav Ganeshan from SBI Pension Funds.
- Abhinav Ganeshan:** I just have two questions for you specifically on the electric 3-wheeler business. So -- just wanted to understand that have we received the PLI benefits for the -- have we applied and have we got the PLI certification for our E3-wheeler that we have launched?
- Vellayan Subbiah** No, we don't have PLI. So, this is really on the FAME subsidy. We don't have PLI for it.
- Abhinav Ganeshan:** Second part is, sir, I'm seeing that we are having a very good dominant market share in the South market. So, can you give some more color on how we are going to look at non-home markets for you vis-a-vis East, West and North?
- Mukesh Ahuja:** Anurag, you'll take this?
- Anurag Vohra:** Yes. See, it's like this. You come out with a product which is giving one of the best range, one of the best torque, the best headroom, legroom comfort to the customer and to the owner of the 3-wheeler. So, what has happened in South, I mean, gradually, that is something is also getting accepted in the Northern markets. So, our ambition and our dream is to replicate what is happening in South similar in the Northern markets. As we are expanding, we are doing so not only with the product but with the complete customer solution also which we are providing to the customers.



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- Abhinav Ganeshan:** Okay. That was helpful. And can you give some more color on the cargo launch, indicative time line, how we would approach that.
- Anurag Vohra:** I just mentioned, earlier also a question was there. In the next couple of months, the cargo version of the 3-wheeler would also be there in the market. We are already in very close touch with the customers and the end customers for the product. Some control trials have already happened, and we are confident to build volumes and market share for the cargo version.
- Moderator:** The next question is from the line of Niket from Motilal Oswal AMC.
- Niket:** I just have one question on the EV 3-wheeler business, given the way the RM prices have been correcting on the battery side, assuming everything remaining constant from a selling price standpoint, shouldn't the profitability improve meaningfully over the next 6 months to 1 year for our EV business?
- Management:** I'd say 2 things, Niket, obviously it varies by business, right? We see in 3-wheeler basically the business continues to get intensely competitive on pricing with Bajaj and Mahindra, in fact it will potentially help things on the truck side.
- Niket:** Okay. Got it. So broadly, I think the scale benefits as and when it comes up, along with the RM benefit, you will start slowly and gradually seeing margin improvement rather than a far more quicker margin improvement because of RM decline.
- Management:** Absolutely.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to management of Tube Investments for closing comments.
- Management:** Yes. I think from our side; I think the Broad perspective is that we do understand that it has been kind of -- we've not had basically profit improvement in this quarter. Our current outlook is that, second half should be better and we continue to basically stay bullish about our other businesses...
- Moderator:** Thank you the management. On behalf of IIFL Securities Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.