INDIA

Tube Investments of India Limited
"Chola Crest", No. C54-55 & Super B-4,
Thiru - Vi - Ka Industrial Estate, Guindy, Chennai-600 032.
Tel: 91 44 4217 7770-5 Email: tii-secretarial@tii.murugappa.com
Website: www.tiindia.com CIN: L35100TN2008PLC069496

10th February 2025

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (E)
Mumbai 400 051

Scrip Symbol: TIINDIA

BSE Ltd
1st Floor
New Trading Ring, Rotunda Building
P J Towers, Dalal Street Fort
Mumbai 400 001

Security Code: 540762

Dear Sirs,

Sub: Transcript of the conference group call with Analysts and Investors held on 4th February 2025 – ISIN - INE974X01010

Further to our letter dated 22nd January 2025, we wish to inform that the transcript of the said conference group call held on 4th February 2025 is enclosed and the same has also been uploaded on our website pursuant to Regulations 30 & 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, under the link given below.

www.tiindia.com/financial-information/

Please take the above information on your record.

Thanking you,

Yours faithfully,
For TUBE INVESTMENTS OF INDIA LIMITED

S.Krithika

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"Tube Investments of India Limited
Q3 FY '25 Earnings Conference Call"
February 04, 2025

MANAGEMENT: **MR. VELLAYAN SUBBIAH – EXECUTIVE VICE CHAIRMAN – TUBE INVESTMENTS OF INDIA LIMITED**
MR. MUKESH AHUJA – MANAGING DIRECTOR – TUBE INVESTMENTS OF INDIA LIMITED
MR. AN MEYYAPPAN – CHIEF FINANCIAL OFFICER – TUBE INVESTMENTS OF INDIA LIMITED
MR. JALAJ GUPTA – MANAGING DIRECTOR – TI CLEAN MOBILITY PRIVATE LIMITED
MR. GOPALAKRISHNAN – CHIEF FINANCIAL OFFICER – TI CLEAN MOBILITY PRIVATE LIMITED
MR. SHIVDEEP SINGH JAMMU – DIVISION HEAD – TUBE PRODUCTS OF INDIA
MR. SIVAKUMAR – DIVISION HEAD - METAL FORMED PRODUCTS DIVISION TII
MR. U. RAJAGOPAL – DIVISION HEAD – TI CYCLES OF INDIA

MODERATOR: **MR. ANUPAM GUPTA – IIFL CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Tube Investments Q3 FY '25 Earnings Conference Call hosted by IIFL Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anupam Gupta from IIFL Capital. Thank you and over to you, sir.

Anupam Gupta: Yes. Thanks, Nico, and welcome everyone to the 3Q FY '25 results conference call for Tube Investments. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman; Mr. Mukesh Ahuja, Managing Director; Mr. AN Meyyappan, Chief Financial Officer; Mr. Jalaj Gupta, Managing Director, TICMPL; Mr. Gopalakrishnan, CFO, TICMPL; Mr. Shivdeep Singh Jammu, Division Head for TPI; Mr. Sivakumar, Division Head for Metal Formed Products Division; and Mr. U. Rajagopal, Division Head for TICI.

To start off with, I'll hand it over to Mr. Vellayan Subbiah. And post that, we can move over to the Q&A. Over to you, sir.

Vellayan Subbiah: Thanks, Anupam, and good morning, everybody. I'll just go through the results for the quarter. It's been a fairly flat quarter. Revenue in Q3 was at INR1,910 crores compared to INR1,898 crores for the same period last year. The profit before tax was at INR212 crores as against INR210 crores in the same period last year. ROIC for the quarter was 43% compared with 54% in the previous same year period, and free cash flow for the quarter was INR70 crores.

In terms of each of our businesses, the Engineering business had revenue of INR1,212 crores compared with INR1,229 crores in the corresponding quarter. The PBIT was at INR156 crores as against INR153 crores in the corresponding quarter.

The Metal Formed business had revenue of INR400 crores compared to INR392 crores in the corresponding quarter last year. And PBIT was at INR40 crores as against INR47 crores in the corresponding quarter.

Our bicycle business had revenue for the quarter of INR142 crores compared with INR147 crores in the corresponding quarter, and the loss was at negative INR1 crores as against INR8 crores in the corresponding quarter. Others had revenue of INR252 crores compared to INR219 crores and PBIT was at INR11 crores as compared to INR14 crores in the corresponding quarter.

At a consolidated level, revenue for the quarter was at INR4,812 crores as against INR4,197 crores in the corresponding quarter, and the profit was at INR427 crores as against INR395 crores in the corresponding quarter of the previous year.

CG Power, a subsidiary in which the company holds a 58% stake, had a consolidated revenue of INR2,516 crores as against INR1,979 crores. And the profit before exceptional items and tax was at INR335 crores as against INR264 crores in the corresponding quarter.

Shanti Gears in which the company holds a 70% stake has revenue of INR158 crores as against INR126 crores in corresponding quarter and profit before tax was at INR35 crores as against INR24 crores in the corresponding quarter of the previous year.

So Anupam, let me stop with those comments. Like we said, and we'll be happy to turn it over to everybody for Q&A.

Moderator: The first question comes from the line of Nirmam with Unique PMS.

Nirmam: So, sir, my question is, we have seen that the market leader in EVs has shifted the entire scooter portfolio in chain. So are we present in this market? And so do any of our OEM customers also plan to shift from -- plan to shift their EV scooters to the chain drive?

Mukesh Ahuja: So as of now, let's say, it is at a development stage, which may be, let's say, even IC scooter earlier as well as EV scooter is not using the chain belt. But however, there is one OEM which is working for converting the belt into the chain, but that is at initial stage of development.

Nirmam: Okay. And sir, does this also bring back our focus to the -- to this chain market given that chain might not get obsolete with EV?

Mukesh Ahuja: Yes, it will not get obsolete because motorcycle growth continues. At the same time, maybe last -- the replacement cycle maybe even if you consider about 2 to 3 years for chain replacement, there's a huge population of vehicles available in the aftermarket area. So we don't think at all the chain market is going to get obsolete.

Moderator: The next question comes from the line of Anupam Gupta from IIFL Capital.

Anupam Gupta: Sir, the first question is on the Clean Mobility business. If you look at both the 3-wheeler as well as the truck side, the VAHAN data suggests that the volumes were up Q-on-Q for third quarter versus second quarter. But the revenues have seen a decline Q-on-Q, INR146 crores going to INR127 crores. So what explains that difference in the revenue side of it?

Jalaj Gupta: Yes. So our volumes for -- I'll talk about the 3-wheeler business. Our volume for Q3 were the same as our volume for Q2, whereas in the Industry, there was an increase of about 19%. And this increase was primarily on account of festive season like Diwali, etcetera, where the impact is more in the North and the West states, whereas our stronghold in terms of the market presence is more in the South states. So we held on to our market share in the South states, and that explains as to why our growth was not in line with the growth of the Industry, which was led primarily by the North and the West states.

This is on the 3-wheeler business, but our volumes were the same for Q2 versus Q3. As far as our truck business is concerned, against 42 trucks which were commissioned or delivered in quarter 2, we were able to do 36 numbers in Q3. So combination of these two explains the drop in the top line for Q3 vis-a-vis Q2.

Anupam Gupta: Understand. Okay. And what -- would this be the main reason why the losses would have also gone up or losses also has a component for the new launches which are coming up?

Sekharan Gopalakrishnan: Yes. This is Gopalakrishnan. So basically, in 3-wheeler business, the PM E-Drive, the incentive benefit got reduced. Earlier in Q2, it was 50,000 per vehicle as the quantum of the eligible vehicle got -- limit got exhausted industry per se I'm saying. So, there was a reduction in incentive benefit by INR25,000 per vehicle. So it was having some impact.

In case of tractors and smaller commercial vehicles, basically, we are in the process of commercializing the operations, and we are getting into start of production kind of mode. And since the manpower is being ramped up in both the businesses, there was an increase in fixed cost to that extent. And our product development spend also has gone between Q2 to Q3.

Anupam Gupta: Okay. I understand. And just continuing on the small commercial vehicle and I think that you also launched the cargo variant in the Bharat Mobility Show. How soon should we see this at the dealership level for these two new products?

Jalaj Gupta: So the plan is that in quarter 4, both small commercial vehicle as well as the cargo -- the super cargo, we will be seeding in the market in quarter 4. The full-fledged commercial sale, we will begin from April of 2025.

Anupam Gupta: Okay. Understood. Fine -- this is helpful. Sir, the second question is on the Metal Formed Product business. What we see there is that the margin trajectory has been pretty weak for this business compared to what you were doing, let's say, 3, 4 quarters back. So what is driving the correction in margins for the Metal Formed Product business, especially since railways anyway was missing for the last many quarters also. So what's the trend there?

Mukesh Ahuja: So Anupam, like you mentioned, one reason is railway because of the pricing coming down. Second reason is the PV growth was a little down in the quarter 3 because of the model change and the year change, which the doorframes business maybe has not done -- we have done good in line with the market, but maybe because that segment was not doing good in the quarter 3, and that resulted into a little bit drop in the margin and which will come back.

Anupam Gupta: So -- but what should be the, let's say, normal sustainable margin for Metal Formed business, assuming things are on track, then what should be the margins which one should assume there?

Mukesh Ahuja: At the PBT level, we'll continue to do around 10% to 11% band that will be the margin guidance.

Moderator: The next question comes from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: Sir, just in terms of the Engineering division, the top line has been fairly muted. So is it because of the correction in the metal prices? Or has the volume also been muted? And also, if you can help us understand on the exports piece, given the overall challenges that one is seeing in the overseas economy, is that also impacting our exports volumes and revenues?

Mukesh Ahuja: So as on Q3, no impact of the exports volume, and we will continue to do whatever Engineering division was doing close to around 17% to 20% of the exports. So that momentum continues. But going forward, maybe let's say, seeing the uncertainty and all those things, maybe environment is volatile, and we'll see. But as of now, maybe as far as Engineering division is concerned, we enjoy a good relationship with all the OEMs. So we expect that to continue.

Abhishek Ghosh: Okay. So then what's the reason for this muted performance? Is it more related to lower domestic volumes? Or is it a function of metal prices? How should we look at the overall?

Mukesh Ahuja: It is a function of the metal price.

Abhishek Ghosh: Okay. So in volume terms, you would have still seen healthy growth. Is that a right assumption, sir?

Mukesh Ahuja: Yes, we have grown in the volume terms around 7% to 8%.

Abhishek Ghosh: Okay. Sir, just in terms of the EV part of the business, from a 3-year road map, while you may have some market shares in mind. But in terms of your own assessment, do you think is it a combination of both margin improvement and market share? Or is there a more focus on getting the market shares for the first 2, 3 years and then indigenize and then get to profitable route? If you can just help us articulate from a 3- to 5-year perspective?

Jalaj Gupta: So initially, since all the 4 businesses are in their initial stage of product life cycle, of course, the focus would be more on improving the market share and the numbers with a definite eye on the margins as well. But between the two, the focus would be more on improving our presence in the market and penetration because it's a market which is evolving. And there is continuous aggressive work, which is going on to improve our realization in the market and also to look at reducing our BOM cost as well. So which is a time-taking process, but initial focus would be to improve our numbers and market share.

Vellayan Subbiah: Just to add, I would say that ideally, with the 2 products that are already in the market, we'd like to at least get to operating breakeven in the next financial year. And obviously, kind of the other two products will still require investment.

Abhishek Ghosh: Okay. That's helpful. That's helpful. Sir, we have also seen a fair amount of increase in the depreciation in the current year. So if you can help us with the capex that's incurred in 9 months and for maybe for FY '25, how should we look at the capex?

Mukesh Ahuja: You are talking about stand-alone?

Abhishek Ghosh: I'm talking about the stand-alone business.

AN Meyyappan: Yes. Stand-alone as of December, we have done INR295 crores of capex.

Vellayan Subbiah: Question is in the increased depreciation and...

AN Meyyappan: Yes. Depreciation is because of the higher capex only. We have also invested in Nashik and Phaltan. And Nashik has started depreciation right now in this quarter, and that's the major reason for the increase in the depreciation.

Abhishek Ghosh: And Nashik will be -- which product.

Mukesh Ahuja: It's CRSS product, steel strips.

Vellayan Subbiah: So obviously, kind of a lot of the capex has been in the engineering business. And as demand picks up, businesses start to scale, we will see growth in that business.

Abhishek Ghosh: Got that.

Vellayan Subbiah: Revenue growth and margins.

Abhishek Ghosh: Okay. So you have that visibility, and that's why you're investing now because you are seeing that whenever things pick up, you want to be ready for that. That's the way to look at this business.

Vellayan Subbiah: Yes. And the other -- and obviously, kind of one of the things we've started to do in each of the businesses is regionalize more. So when Meyyappan talks about steel strips, so basically now the same business that we had -- I mean, the same manufacturing capability we had in the South. We've now moved that to the West.

And similarly, so basically, in tubes now we have presence in the North, West and South. And so basically, we want to kind of have regional presence to reduce logistics costs, and therefore, improve margins a bit on each of the products. And also our ability to serve customers quicker basically because we're of the proximity to them.

Moderator: The next question comes from the line of Jeetu Panjabi from EM Capital Advisors.

Jeetu Panjabi: Vellayan, I have a question for you, which is a bigger picture question. You've seen a slowdown across the entire segments -- all segments of the economy and the business. You've seen a lot of pressure across -- even globally, you're seeing cyclically things are weaker. How do you read it in terms of what are the things that you would be doing to neutralize it to differently and kind of think through how do you navigate the next 12 months in your mind? And what could you do differently?

Vellayan Subbiah: Yes. So I think, again, we've got to -- our preference in some of this is to take a slightly longer-term view, right? And I do believe that longer term, things are still intact. I mean, obviously, kind of there are macro uncertainties with what's happening globally, especially with kind of the changes in the U.S. But I think as far as we are concerned, the thesis remains kind of intact, which is like the core businesses, we need to look at a certain amount of diversification from them because otherwise, we do see challenges in kind of maintaining the levels of growth that we're used to.

So -- but I do think that -- the broad thesis is continue to invest, diversify a bit, right? And things will continue to kind of support the growth. I especially think in India, things will continue to support the growth. And I know there have been some negative reports of late. But I feel that India has enough strength to go into areas of growth, especially -- using India as a domestic consumption base and then using that as a way of getting to global markets. So I don't think that, that thesis is fundamentally -- I still think that, that thesis is intact, Jeetu.

Jeetu Panjabi: Okay. And is there anything -- like in this environment, would you do anything differently? Like, I mean, is the communication to the operating teams any different? Or are you looking at newer opportunities where you think there's going to be more tailwind that is going to be more exciting going forward because of whatever changes the environment is seeing?

Vellayan Subbiah: Yes. I'll tell you, I mean, if you separate out kind of the -- so if you take kind of the TI's core businesses, I mean, I almost put things in 3 buckets, right, kind of TI's core businesses kind of we start looking at opportunities for growth and what we should be doing from like a prudence perspective, right? TI's core businesses, obviously, what the numbers are reflecting is kind of a level of flatness where we would have expected kind of more growth in the third quarter. That growth did not come.

That growth -- so basically, the question is when will that growth come back? I don't think we have the answer to that. But I would just say that when the growth comes back, we're ready for it. Now -- so from that perspective, kind of -- I always think the timings for expansions can never be perfect. But the important thing is that we kind of have expansions in the ground now on the engineering business, which will be able to kind of make use of that growth when it comes back.

The second is obviously a level of softness on the export markets, but I just think that, that just means that we have to intensify our efforts on those markets. So I definitely think that the export markets have to be a growth sector and will continue to be a growth sector for India.

Third, in terms of new opportunities and how we look at them, I think my broader concern is that a lot of the new opportunities, especially if we look at inorganic, tend to be kind of very, very steeply priced right now, right? So I don't think it's a time to kind of get into too much of that at this stage, right, because of kind of the pricing of where most opportunities where assets are today. So I don't know that covers broadly, Jeetu.

Jeetu Panjabi: No, that does. In fact, the point I was also trying to check is are there acquisition opportunities in this weaker environment that might be there. And I hear you say that they're not priced rightly yet.

Vellayan Subbiah: That’s correct.

Moderator: The next question comes from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: Continuing on the export side. So given that there is -- there are talks of increased tariffs in U.S., can you first talk about what is our exposure of exports to U.S.? And secondly, how do we see this opportunity from the U.S. market perspective given currently India at least is not part of those tariffs being put on. So how do you see that opportunity?

Mukesh Ahuja: So we particularly as a company, we do about 35% to 40% exports to the U.S. market. And -- but the relationships are a little longer, only half of those relationships are with the OEMs, which requires the long product cycle for the approvals and all those things. We don't see a challenge there. But coming to the balance, it's distributor side, it depends on how the tariff pans out to be going forward, which none has the answer, and we are watchful.

Jinesh Gandhi: Okay. But currently, our exports are largely driven by Engineering business. Do you see opportunities in other segments as well like Metal Formed and industrial chains as well?

Mukesh Ahuja: Yes. We see opportunity in the other parts of the segments. One is the Bicycle business. We see the opportunity for Bicycle as well as in the Metal Formed Part, we see opportunity. We are doing some product development in the chains business also for higher-cc bikes, there is opportunity.

Jinesh Gandhi: Got it. Got it. So would it be fair to say that the 20% export target, which we are talking about has some upside risk as exports get more broad-based across businesses?

Mukesh Ahuja: So like Mr. Vellayan was mentioning, we are ready maybe in terms of the capacity for domestic as well as export market and work is on the product development side. And like Vellayan said that area of growth opportunity lies still in the exports market.

Jinesh Gandhi: Got it. And the second question pertains to the eSCV, which we showed at the expo. We were also taking bulk orders there. And so any feedback from your dealer partners and the order booking, which would have taken on the eSCV?

Jalaj Gupta: So there were a memorandum of understanding, which was signed with the logistics provider. And those were for the deliveries in the next fiscal. As I said, as an answer to the previous question, in quarter 4, we are planning to seed in vehicles with some of these customers and other customers as well.

So it is right now premature for any feedback on the product is concerned. But as far as the overall appearance, aesthetics and the looks of the product is concerned from Auto Expo, we have got a very, very positive response from all the stakeholders, from customers, financiers, dealers and even the competition as well.

Jinesh Gandhi: Okay. But any quantum of MoUs signed in terms of number of deliveries which are planned for FY '26 based on the MoUs?

Management: It will be a new area. Yes, it will be premature to comment on that. But we have a decent number of MoUs which have been signed.

Moderator: The next question comes from the line of Rushabh from RBSA Investment Managers.

Rushabh Shah: The first thing, I just want to understand, we are expecting some certifications in the medical devices for the export market. What is the status? And what is the expected growth trajectory here? I think it's slightly below what we were expecting earlier.

Mukesh Ahuja: So just because of the name change of the company, which has taken a quarter or 2 extra, we expect that entire CE certification to get over by Q4. And after that, we expect a good growth because customer relationship by the CE certification is happening getting built up parallely. So we expect that to give a good growth financials going forward.

Rushabh Shah: And my second query was to Mr. Vellayan. I just want to understand from your end, what is the reason for the acquisition of the Huber Group through this private investment arm rather than any of the listed entities? And my related query was, what is the framework to decide whatever businesses or sectors would be done through the private arm versus the listed entities? Just a broad thought process.

Vellayan Subbiah: Yes. So I think the broader way to look at it is one of business platforms, right, which is if a platform is in a totally new segment, then it will not make sense to kind of do it in one of the public entities that are basically -- I mean, so for example, I would see TI is kind of predominantly -- TI was predominantly kind of auto and then we have some industrials in it.

But when we look at an area like inks and chemicals, which is totally process-driven and kind of chemistry driven, it obviously, it doesn't fit in any of the existing platforms today, neither listed in Chola. So if it's a new business platform, we will do it outside of the listed companies. But if it's something that in the existing platforms, then we will do it within the platform.

Rushabh Shah: So would the promoter family have sufficient bandwidth given you've full involvement in the listed entity. So that -- is that not a concern given you might acquire more entities in the private arm as well? So how do you see this?

Vellayan Subbiah: No, absolutely. I mean I think the bandwidth question has always been asked. I think, in all honesty, the bandwidth question was asked even when we kind of were growing 1 company at a particular pace, then it became 2, then it became 3. But I think that even if we don't grow from a leadership perspective, I mean, it's basically the opportunity that the country offers today, right, that there is that level of growth. And if you believe that we are growing as leaders, then we have to be able to handle additional bandwidth, right?

That's part of the process of growth. And obviously, what we've done at that point, I mean, if you look at how we started at one point, I was running Chola, I was running TI. Now each of the businesses have their own CEOs. And we have a whole structure to basically kind of support the level of growth that we aspire to.

Moderator: The next question comes from the line of Salil Desai from Marcellus Investment Managers.

Salil Desai: Yes, so my question is on the subsidy regime change, which kind of impacted the 3-wheeler volumes. So given where we are today in terms of visibility on availability of some of these subsidies, where do you see volumes, say, the next 12 months or so? And related to that is, where would you see profitability if there are production costs going up because of fewer subsidies? So any visibility on these 2 aspects?

Jalaj Gupta: The subsidy part, which Gopal mentioned was to the answer on the profitability. But as far as the 3-wheeler volumes are concerned, the electrification of the 3-wheeler market is improving with every quarter is the data that we have. April to December, about 25% of the total 3-wheeler passenger market is what it is electrified or what gets sold as electric. So we see a very positive upside in terms of the electric 3-wheeler, both passenger as well as the cargo is concerned.

And as regards our plans, we have also aggressive plans both in the passenger segment as well -- as well as also in the cargo segment, which we will seed in quarter 4 and scale up our volumes in starting April onwards.

Salil Desai: Right. And how about -- how does the profitability get impacted given whatever changes you would see the subsidy regime goes through?

Jalaj Gupta: Yes. So that would be a challenge industry-wide, not only for us.

Vellayan Subbiah: Broadly, what we look at again, right, is what -- I think what we are targeting in the next financial year is to see if we can get to operational breakeven in that business.

Salil Desai: And this target is irrespective of whatever the external -- subsidy regime would be?

Vellayan Subbiah: So we're already kind of beginning to understand and factor in what we think we will get off the subsidy because that's very clear for 3-wheelers and then basically make our plans around that, both in terms of volume planning and what we need to do on the cost side to deliver on this.

Salil Desai: Sure. And lastly, in terms of funding available at TICMPL, I'm sure the numbers -- fund raise were a pretty large amount. But now we have, I think, from a losses point of view, almost INR600 crores, INR650 crores till date. And if the current quarter is, say, a run rate that you could expect in the next couple of quarters, then if you could just give us a sense of where or how much funding is remaining? Any plans to maybe look at some more derisking?

Vellayan Subbiah: So we feel fairly comfortable that we have enough runway for at least 2 more years -- at least 2 more years with the funds we have...

Moderator: The next question comes from the line of Nishit Jalan with Axis Capital.

Nishit Jalan: Vellayan, my question is a top-down on the whole electric vehicle space that you are looking to enter. I think we started into this business in the last 2 years and have made reasonable progress in some segments. So just wanted to hear your thoughts in the last -- you would have made certain plans when you started this business. Do you think you are on track or there have been some disappointments on an overall basis?

I am still wondering, trying to understand what is the right to win of Tube in this business, right? Because incumbents have now started even in the 2-wheelers, we have seen that happening now. In 3-wheelers also, I think Mahindra, Bajaj and all are doing fairly well. So just wanted to understand what is the right to win for Tube or why will through -- Tube succeed -- what will make Tube succeed in these segments? Yes, so some thoughts around this one.

Vellayan Subbiah: Yes. So first on overall direction, right? Kind of when we started, what we said is we'd like to deliver $1 billion in revenue by 2029. And I still believe that, that -- and profitable, right? So basically, what we've said is kind of a profitable $1 billion in revenue by 2029. I do believe that, that thesis is still very much intact. And I do believe that we'll be able to deliver that.

Second, in terms of your question on kind of how will we be able to compete? Honestly, I think that the market is just beginning to play out, and we're still in very early days in terms of how the market will play out. You talked about 3-wheelers. And so broadly, the way I look at it is if you take the heavy truck, for example, at this stage, there is no other player that basically has that product in the market today.

And I believe that we'll have at least another year of kind of being the only player. So we will have the chance to basically develop a good starting position. But I actually think even what's happening in 3-wheeler is encouraging because of the percentage of the market that's moving, and that starts happening when 2 or 3 players get into the segment. right?

So basically, there, I would say that we have to and we are aspiring to particular kind of market share that we will get to in that product. And I do think that -- because obviously, kind of the incumbents have an advantage in terms of the presence -- geographic presence in terms of dealerships and distribution.

But I do feel that we will be able to overcome that and get to kind of our stated internal market share target, though it will still take -- I mean, so we'll get to a certain percentage of that target in the next financial year and then perhaps get a target kind of in the financial year after that, right? So that's '26, '27. But we've always taken a long-term perspective in this. And I do believe -- feel that the thesis is totally intact from that perspective as well.

Nishit Jalan: Okay. Just one follow-up here. I think a few quarters back in the con call, you did highlight that right now, you are doing more of an assembly and over a period of time, the idea is to build R&D capabilities on the battery pack and some of the other components. So just wanted to understand where are we in that journey? How have we increased our R&D team? Any particular components where you think we have started to build in-house capabilities, especially on the BMS, battery pack? Any of these components where you are very close to getting them in-house?

Vellayan Subbiah: Yes. So just to give you a sense now, we have over 250 people in R&D. And to start, just talk about components and what we're beginning to do at a component level. So pretty much for the truck -- and I would say for the truck, all battery packing is basically going to be done in-house. And for the small commercial vehicle as well, we're going to do batteries in-house for ourselves, battery packing in-house for ourselves. So that process has started. But I think the more relevant thing is what happens at the component level.

And we've now taken a 2-year path to basically where we believe that a lot of the control units, right, whether it be MCUs, the VCUs, the telematics, a lot of that will be developed. We will have our own capability. So the development process for that has started. And I do believe that, that's going to be a significant advantage because once you get to your own capability there, both on the hardware and software front, both from a cost perspective because those components are significant in terms of the BOM. And from a market advantage perspective, having your own capability there will be a huge differentiator.

Moderator: The next question comes from the line of Prolin Nandu with Edelweiss Public Alternatives.

Prolin Nandu: A few questions from my side. The first is, while you mentioned that on, let's say, TIC and some of the inorganic growth opportunities, valuations are quite expensive. But when we look at the TI2 part of our business, do you think in, let's say, next couple of years, you want to focus on scaling up the business where you have already seeded some investment into or we will hear something in some of the new segments as well? And within that investments which you have already seeded, which is the business which you are most optimistic on in terms of the size and profitability part?

Vellayan Subbiah: Yes. So I mean -- so first off, I think what you stated was correct, a lot of the focus is going to be on growing the existing businesses that are part of TI2. And -- but I think in terms of your question on which one are we most optimistic about, I'd like to say that we're fairly optimistic about all the businesses. Obviously, there are different growth rates, right? And kind of, I'd say -- so there you have TI Clean Mobility that is further along on that growth journey.

And that's why, as I said that it becomes quite important for us to look at achieving that operational breakeven on a couple of businesses there because then that gives us further impetus to push it into the next level of growth. But obviously, we are fairly optimistic for all the businesses going ahead.

Prolin Nandu: Sure. And on the -- again, on the investment side, right, as to how you decide between your public companies and your private arm. And in the past also, you have answered this question that, let's say, if we talk about investments or how you will see new businesses in your listed companies, it would be more on capabilities of those companies and then also on a case-to-case basis. Anything changes, Vellayanji, on that part or it still remains the same?

And is it the case that right now in the segments where Tube want to probably enter into, whether it comes to inorganic part, things are expensive and in, let's say, CG Power, maybe there, the visibility of near term in terms of investments are slightly more than Tube. Is that a fair way to look at things? Or that's not a right assessment?

Vellayan Subbiah: I think you already came back to -- you answered it a bit in terms of saying that like right now, the focus is more on the TI2 part, right, kind of from TI's perspective. And we've got enough -- so I mean, obviously, kind of this is one of the challenges where depending on what we did, investors would also ask us the counter question, right? If we got into like 7 new verticals within TI, then the question would be why are we getting into 7 new verticals, right?

So definitely, kind of the focus now needs to be to deliver on the current businesses we've got, right? What I've always said is kind of at best, we can add one more vertical to TI. But otherwise, kind of TI has its hands full with the current businesses and our focus needs to be on how we grow these businesses. Similarly, you can see from CG, we made 2 big investments there. The semiconductor, both on the packaging side as well as the design side kind of -- and so basically, once you've got in, then I think the focus needs to be on kind of growth within those segments versus adding new verticals, right? And so that is -- then that comes back to the thesis on why we would not distract some of those companies with new areas versus keeping it in private entity.

Moderator: The next question comes from the line of Anupam Gupta from IIFL Capital.

Anupam Gupta: Just a couple of questions. Firstly, on the EV business. In one of the calls, I think, a few quarters back, you had also mentioned that exports can be an opportunity for EV business as well, given the sort of costing we are able to achieve for trucks here. So how do you look at that exports for all the 4 categories which you are looking at, let's say, in the next 2, 3 years? Do you plan to go outside India for these products as well? Or how do you look at that?

Vellayan Subbiah: Yes. So I would say that the first thing, Anupam, is -- so we are going to -- we are exploring but I would actually say that -- so definitely, we took a 2, 3-year horizon, yes, I do believe that we will look at it. But like I said, I mean, first is to establish a good solid position here. But you're definitely right, in a 2, 3-year horizon, we will look at that as well.

Anupam Gupta: Understood. And the second question, if you can just quickly update on the 2 things. So it's just a small investment. So it's a Moshine, if there is any change we have been able to achieve so far given the tough market? And also secondly, on the optical lens business, if there is any update on that?

Vellayan Subbiah: So Moshine, we have not been able to. I mean, we've not been able to kind of -- and honestly, kind of the whole electronics segment continues to be a segment that I would honestly say that we've not been able to have that much success at. So the Moshine business, definitely, I mean, it is a small investment, but we've not been able to basically get it to any scale predominantly because we still see a lot of that supply chain is controlled and managed by China in China.

And so I think that's definitely been a huge learning for us. On the lenses side, I think it is -- it still continues to be an area we explore, but it's definitely growing much, much, much slower than we thought we could basically kind of scale. And that's predominantly, again, I would say, around learning curve on some of the new businesses and our ability to get some of these new businesses up to productivities and yields that allow us to get to the cost points of the Chinese.

Anupam Gupta: So, sir -- so Moshine, we understand that it's supply chain tough to break in. But optical lens, is it more of a production issue? Or what is the issue which is plaguing the scale up here?

Vellayan Subbiah: So there are a limited number of customers, right, that are basically willing to just source at a lens level from India, right? So basically, we have 2 choices. One is to kind of double down and go into the lens modules also ourselves, right, and then be able to kind of get to a lens module, a full camera module and then be able to sell that to our customers. So that is one choice.

The second choice, obviously, is to just sell the lens to people who will then assemble into a lens module. And that's where there are limited customers. And that's the path we've been taking now versus basically going up the chain to the camera module just because we don't have the comfort, again, like I said, to match Chinese pricing. So that -- and if we don't have that comfort, we don't make -- feel comfortable yet making that capital investment going all the way to camera modules.

So we want to basically see if we can get to efficiency levels with the limited customers we've got, right, that then would give us comfort that -- then we could expand this product. But until then, we're not going to be able to expand on this.

Moderator: The next question comes from the line of Samyak Jain with Marcellus Investment Managers.

Samyak Jain: Just 2 questions on the EV distribution side. Firstly, can you please update us on the dealer -- latest dealer -- dealership counts? And what is our target to take it for FY '25 and FY '26?

Jalaj Gupta: Okay. So for 3-wheeler business, we have 88 operational dealers, and we are planning to ramp it up aggressively and maybe look at 100-plus dealers by end of this fiscal. And we have aggressive plans for the next fiscal, which may not be appropriate at this point of time to share.

When it comes to our small commercial vehicle business, we have issued about -- LOIs in about 15 cities, and we hope that those dealers will be operational by the end of this financial year. For the tractor business, likewise, we are looking at about 10 dealers by the end of this financial year. So this is about the 3 businesses where we are going to operate through the channel.

Samyak Jain: Understood. And sir, in terms of your expansion plans of the dealerships, is it -- are you prioritizing any particular geography like the North, East or West? Or is it we are expanding Pan-India level? So how do you think about in terms of expanding the dealerships, prioritizing or throughout India?

Jalaj Gupta: Yes. So it is varying from business to business. So for example, in tractors, we have identified the states where we will be primarily operating in based on various factors. And it is those states that we are focusing in as far as expansion of channel is concerned. Likewise, for small commercial vehicle business also, we have identified cities and geographies where we feel that electric small commercial vehicle will have a very natural pull.

And therefore, those are the cities that we will be focusing on. So it will all depend on which are the priority markets and states. And accordingly, our network strategy will also get driven by that.

Moderator: The next question comes from the line of Vipulkumar Shah with Sumangal Investment.

Vipulkumar Shah: Sir, what will be the capex for electrical vehicles for next year?

Sekharan Gopalakrishnan: We are looking at close to INR300 crores kind of capex across all the four businesses.

Vipulkumar Shah: Across all the products?

Sekharan Gopalakrishnan: Yes.

Vipulkumar Shah: And sir, would you repeat the sales figures for all the products which you had -- at that time, my line was disconnected. So would you repeat that?

Vellayan Subbiah: We gave sales figure or we've indicated the number of products sold for trucks?

Management: For trucks, yes. So truck, it was 36. And our -- for 3-wheeler business, it was 1,866.

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

Vellayan Subbiah: Yes. No, I think from our perspective, we -- nothing specific from our side. Thank you.

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