



13th November, 2024

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Scrip Code – 532513

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

Scrip Symbol – TVSELECT

Dear Sir / Madam,

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

In continuation to our intimations dated 4th November, 2024 and 11th November, 2024 with respect to Earnings Conference Call for the quarter ended 30th September, 2024 and intimation on the audio recording, respectively, we wish to inform that the transcript of the said recording is available on the website of the Company at:

https://www.tvs-e.in/wp-content/finreports/stock/TVSE_EarningsCall_Transcript.pdf

We have also enclosed the transcript. Kindly take the same on records.

Thanking you,
For **TVS ELECTRONICS LIMITED**

K Santosh
Company Secretary

TVS Electronics Limited

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TVS Electronics Limited
TVS Electronics Limited Q2 H1 FY'25 Earnings Conference Call
November 11, 2024

Moderator: Ladies and gentlemen, good day and welcome to the TVS Electronics Limited Q2 and H1 FY'25 Earnings Conference Call. 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. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. This conference is being recorded.

I now hand the conference over to Ms. Anuj Sonpal from Valorem Advisors. Thank you, and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of TVS Electronics Limited. On behalf of the Company, I would like to thank you all for participating in the Company's Earnings Conference Call for the 2nd Quarter and First Half of Financial Year 2025.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's Earnings Call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions.

The purpose of today's Earnings Call is purely to educate and bring awareness about the Company's fundamental business and Financial Quarter under review.

Let me now introduce you to the Management participating with us in today's Earnings Call and hand it over to them for Opening Remarks.

We firstly have with us Mrs. Srilalitha Gopal – Managing Director; Mr. Mr. A K. Vadivelu - Chief Financial Officer. Without any further delay, I request Mrs. Gopal to start with her opening remarks. Thank you and over to you, Ma'am.

Srilalitha Gopal: Thank you Anuj. Good afternoon everyone. Welcome to our first ever Earnings Call to discuss the performance of the 2nd Quarter and First Half of the Financial Year 2025. Some of you



may be new to the company, so let me start by giving a quick brief overview of TVS Electronics.

TVS Electronics or TVSE as it is popularly known was incorporated in 1986 under the leadership of Mr. Gopal Srinivasan, a member of the illustrious TVS family. We are headquartered out of Chennai and have a state-of-the-art manufacturing plant located at Tumkuru, Karnataka. Our vision is to be an integrated electronic solutions provider for B2B customers.

The overall performance of the company is reviewed under 2 business units, Products and Solutions Group and Customer Support Services. In the Products and Solutions Group, we aspire to be a single point solutions provider. The 2 offerings that we have are point of transaction products and integrated solutions.

Our point of transaction products mainly consist of input devices, computing devices, validation devices and output devices. Under integrated solutions, we offer our own software solution TVSE Pay for retail customers and also have a set of solutions to our partner ecosystem. These include hardware ecosystems based out of Taiwan, Korea and China.

Software ecosystems mainly consisting of RoyalPOS, SnapBizz and Vyapar and the third is analytics ecosystem which we are building. While we cannot share any forward-looking numbers, we would like to share the addressable market size as we assess currently is around 2000 crores of which our market share is about 18 to 20%. This segment of our business contributes almost 70% to our revenues. The Customer Support Services business unit, we aspire to be the first choice after sales service partner. Our focus is on field support services, infrastructure managed services, O&M services and electronic manufacturing services.

The field support services caters to the IT and IT peripherals. Predominantly covers 15,000 postal codes, 2400 field agents. The large customers like Dell, HP, etc., we provide break/fix and maintenance services to them. Under field support services, we also cater to the banking community where some of the large banks and financial services companies have break/fix arrangements with us for their EDC terminals.

Under customer support services, we have identified the following growth areas for TVSE. The first is the Infra Managed Services for IT and IT peripherals. The second is the operations and maintenance for solar. The third is the Electronic Manufacturing Services. The broad serviceable market for field support services is about 500 crores. Infra-Managed Services is about 4,500 crores and the Operations and Maintenance Services, O&M, is 350 crores. So, we are looking at an addressable market of about 5,350 crores.

In the electronic manufacturing services, we mainly would like to address box-build opportunities, exploring the Make-In-India opportunities with our tech partners. We are



confident that the new areas identified of growth will place TVSE in a good position in the coming decade.

With that brief overview of what TVSE actually is, I hand over the call to Mr. A. K. Velu, our CFO, to provide key financial and operational highlights for the quarter under review, followed by an open Q&A session.

A. K. Velu:

Thank you, ma'am. Good afternoon, everyone, and welcome to this Earnings Concall. Let me first brief you on the financial performance for the 2nd Quarter of the Financial Year 2025.

For Q2 FY'25, the consolidated revenue from operations stood at around 105 crores, which increased by 13.4% on year-on-year basis. EBITDA for the quarter was around 2.6 crores, and net loss was reported at approximately 1.3 crores. For the first half of the financial year, the consolidated revenue from operations stood at around 216 crores, which increased by approximately 18.6% on year-on-year basis.

EBITDA for the first half was around 5.8 crores, and net loss was reported approximately 2.6 crores. The products and solutions verticals generated revenue of 73 crores in Q2 FY'23, representing an increase of 8.3% year-on-year. The segment registered year-on-year growth of 19.1% in revenue in H1-25.

The customer support services verticals generated a revenue of 32 crores in Q2 FY'25, representing an increase of 27.5% year-on-year. The increase in revenue is driven by improved volumes in Q2. The segment registered a year-on-year growth of 17.4% in revenue in H1.

The EBIT margins declined during the quarter, driven by an increase in personal costs associated with new business initiatives such as EMS and R&D, as well as investments in building capabilities, which expected to yield better results in the future. The PBT was impacted due to an increase in finance costs, which were incurred for servicing the loans, procured for capital investments and the working tax capital purpose.

With that, we can now open the floor for questions and answer session. Thank you.

Moderator:

Thank you very much. The first question is from the line of Dilip, an individual investor. Please go ahead.

Dilip:

I just wanted to check the margin this quarter for obvious reasons. Can you segregate what was the impact of the new line, SMT-1 and if you take that out, the core businesses like product business and services business, can you individually show how those businesses performed in terms of margins?



A. K. Velu: Yes, sure. I think overall on all the growth initiatives put together; we are investing between 2 to 3% of our revenue. So, if you look at our current EBIT for Quarter 2, it is 2.5%. So, if you add that, our EBIT will be somewhere between 4.5 to 5.5%.

Dilip: Yes, so that is what the traditional margin of around 5% plus or minus 0.5% has been for the last couple of years. So, there has been no deterioration of the core businesses, but because of the investment you are showing a little less margin or maybe no margin.

A. K. Velu: Absolutely, sir. As we are focusing on long-term growth, we are investing in this growth areas. Otherwise, our business as usual, we are generating 4.5 to 5.5% of EBITDA, which is our regular performance.

Dilip: Sir, I am assuming that your customer service business is asset-light business. So, the capital will be mostly working capital and the factory, I think they are very old ones. So, the net values will be quite depreciated, right? Can you just tell me broadly what amount of capital the product business is taking and how much is the investment in customer service business?

A. K. Velu: Broadly, if you categorize out of our total capital employed, 65 crores to 70 crores will be towards product business and 20 to 25 crores is towards the service business.

Dilip: Okay. So, ideally the way to look at it is that around 100 crores of capital, if the scale-up happens, will give you around 20 to 25 crores of return. So, the ROC will turn to around (+20%). Is it fair to assume that 20% to 22 % ROCE, 15% ROE is the kind of nature of this business?

A. K. Velu: Yes, 15% ROE is the regular past performance for our company, and we are targeting towards that in the future also. Sure, sure.

Dilip: Coming back to the customer service business, your vendors are large like Dell and IBM and those guys. Is there some specific segment you are allowed to serve or is it also that if you look at networking products or storage or data center products, inside the enterprise customer premise, is that also you serve or is it only the retail customers who just walk into a store or somebody who bought a laptop who wants to serve? Is there a differentiation in terms of customer base from your vendor's perspective?

Srilalitha Gopal: So, Mr. Dilip, let me take the question. The main customer for us are the enterprise customers, that means Dell is the customer, the end customer is the walk-in customer or the actual user is by fact that he or she owns a Dell or HP laptop. But the actual what we serve will be HP servers, Dell servers, Dell laptops and HP laptops in reality. The retail part of the business is very small as compared to the enterprise.



Dilip: Okay. So, you are saying that the enterprise customers of Dell are the guys who receive your service on behalf of Dell?

Srilalitha Gopal: That's right.

Dilip: So, my question, ma'am is that when you are trying, so what is the skill level? Is it like break/fix and logistics and a first L1 kind of a call or you really manage the data centers? Because if you are going to really manage the switches and routers and data centers and servers and storage and enterprise apps, your margin should have been much more higher, isn't it? Not some 5% EBITDA margin, isn't it?

Srilalitha Gopal: No, at this present, I don't think they are outsourcing data center management and other management, Mr. Dilip. As and when they are getting outsourced, we will build our skill for that.

Dilip: Sure. Understood. So, you are essentially looking at maybe a last mile support and giving them point of service across multiple locations which they cannot have on their own, is it correct to understand like that?

Srilalitha Gopal: No, not correct. That's actually exactly what you have asked for. It is the last mile service. After sales, last mile support is what we provide.

Dilip: Great. Ma'am, in terms of the product line, you have been there, that's similar like POS and keyboards and mouse and stuff like that for a very, very long time, right and I know about it for at least 30, 40 years. So, why are you focused only, and that segment is also getting challenged by new platforms coming up. So, both in terms of point of sale for the retail guy as well as the input devices like printers what would be our compulsion to stick to these two, three product lines? That's why we are not able to expand to other electronics in the broader range like say monitors or something like that which are also devices connected to a computing device.

Srilalitha Gopal: As of now, Mr. Dilip, being in this particular set of devices makes a lot of compelling case for us. We will definitely examine your suggestion and go back to the drawing board on this.

Dilip: You know, I am not, obviously, you are running the business, I am not suggesting, I am just trying to understand, is there any...

Srilalitha Gopal: No, Mr. Dilip, I am being very honest here. We do find being, continuing to be in POS and if I might mention POS has been not a very long term. Actually, we have been in POS for the last few years only. We have not entered POS before that. POS as in point of sale, as in point of sale terminal, point of sale processing devices, etc. What we have been for the longest time are DOT MATRIX printers and printers and keyboards and so on and so forth. Those are Dot



Matrix printers, I agree with you. They have sort of now are seeing sunset. Keyboards are something which are continuing to be in high demand and we think they will be. But the rest, yes, I think what you make is an interesting thought. We will examine it. I won't have an answer at this point of time. But as you know, we have set up the R&D center and the R&D center is examining all such suggestions from the board, well-wishers, shareholders and investors and I will definitely add this to their list of suggestions to examine.

Dilip: Yes. But my thought process is coming from the fact that I have been knowing TVS for almost 30-40 years and one of the early pioneers of the best quality keyboards if I remember and having a few companies in India electronics manufacturing who invested in R&D and set up and all. But somehow over so many years the volumes, the revenues are still 150-200 crores per quarter, maybe 400 crores per year. That's what I was wondering that there are so many new electronic manufacturing companies who came, let's say Dixon or a Kaynes or all these so-called electronics manufacturing companies who are outsourcing OEM products. They completely caught the wave and currently are talking about thousands of crores of manufacturing. But some of the old hands and very quality-oriented companies like TVS couldn't catch that wave. So, I am just trying to understand what is that happened.

Srilalitha Gopal: No, very valid query on your part, sir. I am sure you should keep asking these questions and we will continue to answer them. But no matter what I tell you today, I will not be able to answer that question.

Dilip: It is not a question that I am just wondering and not thinking about.

Srilalitha Gopal: I absolutely appreciate what you do. But as I said, I don't think I will be able to answer it convincingly or even in a satisfactory manner today. But please keep asking us these questions.

Moderator: Thank you. The next question is from the line of Abhijit, an individual investor. Please go ahead.

Abhijit: Ma'am, this is regarding the EMS business. We have got Mr. Satya for around, I think, 5 to 6 months. Any progress that you can share as to any shortlisted clients or any expected turnover from that particular area?

Srilalitha Gopal: Nothing that I can share at this point, Mr. Abhijit. I would like you to keep engaging with us and we will definitely share when we have something crystal that we can share with you. Efforts are on.

Abhijit: Efforts are on. Okay and what are the areas where one would be looking at? In EMS, there would be various segments, various, what do you say, focus. You can do it for auto, you can



do it for consumers. Any particular area where you are focusing, any pharma, how are you going about it?

Srilalitha Gopal: So, we are definitely looking at auto electronics, electronics being our backbone. So, definitely auto electronics. Our one existing extension of our peripherals, a manufacturer which we are already doing in-house extension of that. These are two major areas we are focusing at this point of time, Mr. Abhijit.

Abhijit: And this would be local clients, international clients?

Srilalitha Gopal: I think as I said, efforts are on. Okay. You can ask me any amount of time in whichever way I will give you the same answer.

Abhijit: No, I am just trying to understand more.

Srilalitha Gopal: No, I know. I appreciate it completely. But if I had a number, a name, you would have heard it even before we did this call.

Abhijit: Okay, great and there was a newspaper report saying that you were also looking at government orders since you are grade 1. Anything you can share that side, be it in terms of EMS or any other business?

Srilalitha Gopal: Government orders will predominantly be projects from the products, which anyway has always been a tender base, gem portals, government orders, part of the infrastructure, not in the EMS side.

Abhijit: Okay, fine and ma'am, with the focus increasing in terms of the new personnel who are coming up, one was actually expecting a Q1 increase in turnover. You had a good Q1 where I think you did a 20% plus sales growth. Anything you can share if there has been a particular reason for the Q2 being slightly lower, or is that something which will keep on happening? Anything you can give more info on that?

Srilalitha Gopal: Mr. Abhijit, I think we are focused on long-term growth. The Quarter 1, as you might have noticed and we also announced, there were project revenues from the government which added to a substantial increase and we will keep focusing on the growth and scale. So, I think shorter term quarters, there will be pluses and minuses.

Abhijit: Okay and ma'am, as I see also the investments have gone down in the balance sheet by around 20 crores from your 31st March 2024 to 30th September 2024. So, do you think down the line you will be raising more debt or you will be looking at raising equity in case you require for the funding of new businesses?



A. K. Velu: Actually, it is a mutual fund investment. We have surplus funds in the mutual fund investments and as we had requirements for our working capital purpose, we just redeemed those investments and we have used it for our normal working capital purpose. That is why you are seeing the reduction. On an overall basis, on a CAPEX side, if you ask, we have already invested in the last 2 years approximately 40 crores for all the growth areas that are CAPEX. So, in the near future, we may not do such a big CAPEX, but we will do the regular requirements for growth like setting up new offices, increasing digitization, all those areas, which will be a regular business CAPEX. Expansion CAPEX, we have already completed in the last 2 years.

Abhijit: Okay. But will you be doing the fresh funding in case you require more funds? Since the personal costs have gone up a bit, would you be looking at more debt or you will be able to get it through internal accruals or you will be looking to raise fresh capital?

A. K. Velu: In the short term, we are looking to manage our internal accruals. Long term, if we could, we will look at the option of fundraising. That will be a long term option.

Moderator: Thank you. The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: So, I just wanted to understand how big is the R&D team today versus 2 years back. Also, one more question on that was how does the team select the products? What is the thought process behind how a product is shortlisted that the team will work on? Thank you.

Srilalitha Gopal: Rohan, thank you for joining the call and asking this. The short answer is actually 2 years back, if you look at it, we just had a very small sustenance engineering team. The R&D team was practically zero. Today, we have a fairly large team, about 20 to 25 member team, which will grow with the business. The second question was how do we select products for development? That is purely based on the market research and the areas that we are in, sales reports, opportunity reports, trends, a whole bunch of things that are evaluated for development.

Moderator: Thank you. The next question is from the line of Manan Patel, an individual investor. Please go ahead.

Manan Patel: Thank you for the opportunity and congratulations for doing this call. I hope this practice continues. The question would be on EMS. You mentioned that we are still looking for clients and all, but we have done the CapEx, so would you be able to give a proper timeline on when we can start to see the revenues start flowing in EMS, and are we planning to report it separately, or will it be part of the product and solutions?



A. K. Velu: I think as mentioned by MD earlier, I think we are putting all our efforts to do the business development, and we are also hoping the onboarding happens sooner. Based on that, I think we are also having a plan of having a separate reporting in the 3 or 4 quarters as things progress.

Manan Patel: Okay. And apart from clients, are there any milestones that we need to reach in EMS apart from getting clients, like any certifications or anything else?

A. K. Velu: Apart from doing clients, we are into auto. I think there is some specific certification work that needs to be done, which we already started. The internal team is working on those certifications, so that will be ready by this December end. We are working on a few certification projects already.

Manan Patel: Okay. Great. The second question is on the CSS. I have looked at the company's balance sheet for many years now. If I look at the CSS division, it has never been profitable, and it looks still like a subscale. I mentioned 5,300 crores of revenue of the market size, but still we are doing around 100 crores annually, and it has not been profitable ever for us. So, like, how do we see the growth path in this? First of all, the CSS. Looking at the history of CSS in the company, the division has probably been at the same scale for many years and has not been profitable. So, I wanted to understand your views on what path are we looking at for this segment, and can it grow substantially and become profitable in, like, next couple of years or something like that? How do you think about this segment and ROCs of this?

Srilalitha Gopal: Good evening, Manan. First of all, thank you for your questions, and I would like to assure you that, yes, the Earnings Call will continue every quarter, and we will engage with our investors and analysts. On the customer support services, I think the observations of all our well-wishers have been very, very accurate. That is, it appears in the reporting that we are not actually making profits. But if you look at it, the customer support services, as I already mentioned, supports a bunch of offerings, some of which are growing, some of which are still in nascent stages and the combined effect of it sometimes gives the impression that the division is not making profits. The second thing is that over a period of years, we have now identified growth areas. As I mentioned earlier in my address, that IMS, field support, and O&M are our growth areas, and we are going to focus on this. In the earlier years, we used to have consumer electronics services. I'm not sure whether you have had a chance to examine them. We used to support consumer electronics repairs, break/fix and repairs which was not, unfortunately, something that we could make much of, and that actually dragged a lot of our productivity and our profits. We have now exited them completely, and our focus is going to be on IT sector. Our focus is going to be on banking sector, and our focus is going to be on the solar sector, and we believe this will give us the momentum that we need. Hopefully, we should be able to demonstrate how the performance has been in the next few quarters.



- Manan Patel:** That is very helpful, ma'am. Last question on the CSS. So, the segment assets, if I look at the customer support services, the segment assets have increased from around 61 crores to 103 crores. So, what is that jump related to? I am not able to pinpoint that from the balance sheet. If you can help, what is that some kind of investment, or the receivables have gone up substantially, or inventory, if you can help us understand that.
- A. K. Velu:** Yes. Currently, as we internally look at the customer support service, it includes manufacturing services, which is EMS. So, the investments in that business and the growth in receivables and related working capital areas, that is where you are seeing an increase in the segment assets of that business.
- Moderator:** Thank you. The next question is from the line of Naresh Kumar, an individual investor. Please go ahead.
- Naresh Kumar:** Madam, this EMS line, which has been newly operational, actually, what is in the phase, if you compare phase-wise, what you people intend to do in the first phase? Will it only be for captive consumption, or you are targeting some other sectors also in the first phase?
- Srilalitha Gopal:** The first phase is definitely, as we have mentioned earlier also, is for captive consumption. As we increase the productivity and as we settle down, we are looking for customers, as I mentioned earlier also, in the automotive electronic segment and the IT peripheral segment, which happens to be where we are currently. We also are currently in.
- Naresh Kumar:** Okay. Madam, will we be able to take care, this existing line, will we be able to take care of the external clients also or do we need to go for some cap?
- Srilalitha Gopal:** Yes, I think so. We can.
- Naresh Kumar:** Okay and any capacity expansion is there? Will the factory premises be able to do that, space is enough for the accommodation of CAPEX, or do we need to have some other?
- Srilalitha Gopal:** Yes we can accommodate.
- Naresh Kumar:** Okay and madam, what is the CAPEX that is incurred on this EMS line?
- A. K. Velu:** Yes, the last year we have set up one SMT line, so for that we have invested, let's say, 15 crores. So, that is the investment which we have done in the last year, including setting up the entire factory with nitrogen gas pipes and air pipes for compressor and everything. So, that is a first-time setup, so we have spent 15 crores for the first line.
- Moderator:** Thank you. The next question is from the line of Sriram, an individual investor. Please go ahead.



Sriram: Thank you for the opportunity. Just a follow-up. I mean, this year, what is the total CAPEX that we have spent for this EMS, and what is the asset turn we are expecting over the next couple of years?

A. K. Velu: As I mentioned, we have spent 15 crores, which is, I think, in our capital as of March itself. So, we have spent 15 crores. The asset turn and all is, I think, as the business onboarding happens, we will be able to give you those details.

Sriram: Okay. For this year, what is the CAPEX FY'25?

A. K. Velu: For this year, we are not planning any additional CAPEX as of now. If there is a business requirement, we will take the call as and when it is required. As of now, there is no plan for this year.

Moderator: Thank you. The next question is from the line of Rohith from Marshmallow Capital. Please go ahead.

Rohith: Thank you for the opportunity, sir, and thank you for doing this call. It's really helpful. I mean, so in the conversation today, you guys mentioned that we are looking at auto electronics and IT peripherals as the first foray into SMT. So, what are the filters through which a product has to go through before you decide to make it? I mean, is there some sort of a margin? Is there some sort of a return on capital metric that you look at? Like, what determines the decision is something that will be helpful to understand.

Srilalitha Gopal: Good evening, Mr. Rohith. I think you have given us all the filters that we need to look through. We are looking at all of that and more.

Rohith: Understood. So, thank you. That's helpful and it is also helpful to know that whenever the SMT scales up, you will be reporting it separately. You are looking forward to that and in the meantime, it will help us to know. So, as shareholders, from the outside, we can't see what is happening internally. You did do a plant visit, which is very helpful, and I was lucky to be a participant in that. But what are the metrics? I mean, what should we look out for? Because numbers, you said, as and when it happens, you will disclose to us. So, what would we look forward to over the next whatever period of time to see or understand the progress within the company?

A. K. Velu: As we have started with the Earnings Call, we will continue to do. So, you will get to listen from us the progress in each and every business segment. So, whatever developments, further developments, we will update you in the next business call, the next Earnings Call. Understood. Fair enough.



Rohith: So, any customer wins, or certifications, and all that, will you be disclosing to the exchanges? I think that also might be helpful.

A. K. Velu: Yeah, if it is required as per the SEBI norms, we will disclose it. So, we will keep the exchange updated about it.

Srilalitha Gopal: According to SEBI, anything material has to be reported, Mr. Rohith. So, then you can definitely get to know all that and what we are also planning is regular press reports and releases to celebrate any new wins and big wins.

Rohith: Perfect. That also will be helpful and on a broader strategy, right, so this EMS space is very clear that it is a very, very, very large space, and we have, given our history and our group reputation, it is something that we have a right to win, and it makes sense for us to target given the opportunity size. I want to understand more of your thought process in targeting a segment like solar operation and maintenance, right? So, I think it was indicated that the market opportunity size is around 300-350 crores. And obviously, it would not be the case that we get 100% share there. So, when we have such big opportunities in both the customer solution in terms of IT infrastructure opportunity and the EMS space, why go for something, or why diffuse our focus with something like this, where the opportunity size is small and it might not fit into our, let's say, five, seven-year ambition with the size we intend to reach?

Srilalitha Gopal: So, I think this is a really good suggestion, and as I had mentioned to one of our earlier esteemed participants also, and this calls for a long discussion. I'm sure this is slightly beyond the scope of this call. We will take whatever you have said into consideration, and it is something that we keep also debating. We will get back to you on what our thoughts are maybe in the next meeting or the next call.

Rohith: Okay, thank you, ma'am and last question is, in the opening commentary, you mentioned that in product solutions, the market size is around 2,000 crore, and maybe we are 18, 20% there. But, I mean, so related to this, it seems like the Indian government is not very keen on sensitive products coming from China, like, let's say, the closed-circuit camera, etc. and that seems right within our circle of competence, so to speak. So, do you see this market size or market opportunity for us expanding and entering newer segments within product? I mean, I know EMS is an exciting space for us, but even within product, it seems like the opportunity set can be expanding, and we can probably do more there. So, do you see these opportunities opening up at your end?

Srilalitha Gopal: Yeah, I do see opportunities opening up. We are constantly exploring and there are new areas coming in, even as we speak.

Rohith: So, are we doing newer products in that space right now, or it's still too early to speak at this point?



Srilalitha Gopal: Too early to speak. R&D takes nothing less than 4 to 6 quarters to come up with something.

Rohith: Understood and, ma'am, both of you, last question from my end. So, I mean, I have begun following this EMS and contract manufacturing space only this year, but one factor that seems to be a differentiator in many of the large companies which have done well is that, I mean, the nature of the business is that the margins are probably high single digits or maybe very low double digits, and in that context, given the labor intensity of the business as well, it seems like many of the successful players are located in places where the labor cost is cheap, so predominantly the north, like where the supply of labor, like maybe the UP side or NCR side or Rajasthan side, and because labor component is an important piece given the labor intensity and the low margin nature necessitates that we keep some of our large costs low. So, in that context, while Tumkur has... Tumkur is a great location in the sense of the availability of engineering talent, do you see cost as a pain point for us to scale, labor cost in particular?

Srilalitha Gopal: Not really.

Moderator: Thank you. The next follow-up question is from the line of Dilip, an individual investor. Please go ahead.

Dilip: I am just trying to understand from your... on the EMS business a bit. Since you must be, I am sure, engaging with your prospective customers for some time now, what has been the response? What kind of qualifiers are they putting for either doing business with you or not doing business with you? Like, what are the reasons why they want to do business and what are the reasons why they don't want to do business with you? Can you just elaborate?

Srilalitha Gopal: No, I am not sure those are all questions or things that we could share with you at this point of time. I am not at liberty to. I mean, you understand why, right? I mean, I cannot tell them why they want to work with us, nor can I tell you why they don't want to work with us. I do not want to have assumption that people don't want to work or work with us, so I think I would like to avoid that question.

Dilip: Yeah. So, my point was this question of right to win in the market, which was asked before, and I have been just trying to figure out what is the right to win in this market. There are various kinds of players with various competency and capacity, and where does TVS fit into this whole scheme of things? That's what I was saying, if you can tell us. At least when you are pitching to the customer, what is it that you are pitching?

Srilalitha Gopal: Mr. Dilip, I am not exactly sure what I need to be mentioning. I was making a little development

Dilip: No, is it the R&D?



- Srilalitha Gopal:** There is enough history and enough capability that TVS has to be able to make a convincing argument, is all I can say.
- Dilip:** Sure, okay. Yeah, I understand. Thank you, ma'am.
- Moderator:** Thank you. The next follow-up question is from the line of Manan Patel, an individual investor. Please go ahead.
- Manan Patel:** So, I would like to ask... So, our employee costs were around 54 crores in FY'24, and given the run rate of current quarter, we would almost touch around 75 crores. So, where in the journey of investing or hiring new employees are we stuck? Is that near the end or this cost is expected to go up further in the quarters coming?
- A. K. Velu:** I think, as I mentioned in the beginning of the call, I think we are focusing on EMS and R&D initiatives. We have invested on these new people, whom we have added in the last 2-3, quarters and if I were to say whether it will continue, I think we have done 75 to 80% of what is required. In the future we will add as the business grows. That is the way it will progress. Either the business development or operationally, as per the business growth requirements, we will add people.
- Manan Patel:** Understood and, sir, what kind of investments are we expecting as a percentage of revenue or something like that in the R&D for new product development?
- A. K. Velu:** See, I can't give separately, but as I mentioned in the beginning, in EMS and R&D and other initiatives, all put together, we are investing 2 to 3% of our revenue towards all the growth initiatives, keeping the long-term growth in mind.
- Manan Patel:** Okay. That's very helpful. Thanks a lot.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management from TVS Electronics Limited for closing comments.
- Srilalitha Gopal:** Thank you all for asking really relevant in-depth questions. We request you to continue to engage with us. Some of your questions will make us think even more and come back to you with answers and responses, which will perhaps make it more interesting for further interesting sessions.
- A. K. Velu:** Thank you all.
- Moderator:** Thank you. On behalf of TVS Electronics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.