

2nd August 2022

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.

Scrip code: 532343

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.

Scrip code: TVSMOTOR

Dear Sir(s)/Madam,

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

In continuation to our intimations dated 27th July 2022 with respect to the schedule of a conference call with the analysts / fund houses to discuss the financial performance of the company for the quarter ended 30th June 2022 and intimation on the recordings dated 28th July 2022, we wish to inform that the transcript copy of the said recordings is enclosed and the same is hosted on the website of the Company in the below mentioned:

<https://www.tvsmotor.com/Investors/Communication>

Kindly acknowledge receipt.

Thanking You,

Yours faithfully
For TVS MOTOR COMPANY LIMITED



K S Srinivasan
Company Secretary



“TVS Motor Limited
Q1 FY 23 Earnings Conference Call”

July 28, 2022



MANAGEMENT: **MR. K. N. RADHAKRISHNAN - DIRECTOR AND CHIEF EXECUTIVE OFFICER, TVS MOTOR LIMITED**
MR. K GOPALA DESIKAN - CHIEF FINANCIAL OFFICER, TVS MOTOR LIMITED

MODERATOR: **MR. ANNAMALAI JAYARAJ - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the TVS Motor Limited Q1 FY'23 Post Results Conference Call, hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touch tone phone. Please note that this conference is being recorded.

I now turn the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you, and over to you sir.

Annamalai Jayaraj:

Thank you, Lizann. Welcome all the participants to TVS Motor Company, 1Q FY'23 post results conference call. From the TVS's management, we have with us today, Mr. K. N. Radhakrishnan, Director and Chief Executive Officer and Mr. K. Gopala Desikan, Chief Financial Officer. Let me hand over the call to K N Radhakrishnan for the opening remarks to be followed by question-and-answer session. Over to you, sir.

K. N. Radhakrishnan:

Good evening, everyone and thank you for joining us today. I trust all of you and your family members are safe. God bless all of you and great health, lots of happiness, peace, prosperity, and definitely this year, Diwali season should be a good season for everyone. This quarter, Q1, company recorded the highest ever revenue, EBITDA and profits despite many challenges especially shortage of semiconductor, which has impacted the production and sales of premium two wheelers. Our revenue for this quarter was INR6009 crore and EBITDA was INR599 crore. PBT is at INR432 crore.

All of you know that Q1 of last year is not really comparable, because last year we had the wave two. When we look at the overall Q4 of last year to now and Q1, both we have done extremely well, given the challenges. We sold 5.65 lakhs as against 3.29 lakhs, this is in the domestic market. And what is the most important is as against the industry growth of 53%, we have grown much ahead, 70%, despite the challenges in the semiconductor availability.

Our international business has also done well. We did 2.96 lakh as against last year 2.9 lakh. This is also faster than the industry growth. Overall, we did 8.61 lakh units against 6.1 lakh unit against last year first quarter, much better than the industry growth.

The EV iQUBE in this quarter, we have done 9,000, but what is very good is month- after-month we are able to ramp up and the demand for this product is extremely good, thanks to our customers. The three wheelers we did 0.46 lakh against 0.39 lakh during last year first quarter. Profit for --- EBITA for this quarter is INR599 crore as against INR274 crore of Q1 last year, and we registered 10% EBITDA. In the last four quarters, we posted operating EBITDA 10% despite various challenges of semiconductor, container availability, significant increases in commodity costs. I think this was possible only because of the customer faith, the range of products what we have, our premiumization, our growth in the international market and above all, the sustainable cost reduction. PBT for this quarter is INR432 crore and last year Q4 was INR373 crore. Profit after tax is INR321 crore as against last year's INR53 crore.

On EV, we are extremely happy that we launched iQUBE electric scooter in three variants that comes loaded with best-in-class, on road range of 140 kilometers of a single charge. I think we are offering a host of intelligent connected features including, a seven-inch TFT touchscreen and a lot of infinity themes, personalization, voice assist, and TVS iQUBE Alexa skill set, intuitive music player control, OTA, fast charging with plug-and-play. I think I can keep going on and on. I think Indian consumers are going to see a host of benefits, a host of features, connected features, in addition to the biggest storage space of 32 liters.

The response received from the customers are extremely encouraging. In Q1 we sold 9,000 EV scooters. In the month of June, we sold more than 4,000 high-end numbers. There are supply chain constraints in semiconductor components, but I'm confident month after month you will see improvement in terms of the dispatch from the company. The demand is very robust and we are currently taking bookings in 85 cities in India. The company has currently a customer base of more than 20,000 happy customers of TVS iQUBE. Thanks to all of them. As promised, we will be ramping up very shortly to 10,000 per month and progressively moving to 25,000 per month.

We'll be launching a series of new products focusing on different customer segments and with complete portfolio of offerings in the range of 5 kilowatt to 25 kilowatt. We said this will be done in the next two years and our vision on electrification, we envisage a wide and reliable charging infrastructure for our EV customers. We have already partnered with Tata Power, CESL and Jio-bp network. I'm very sure this will sustainably enhance the customer convenience and experience.

Overall, I think the progress so far has been as per plan and in terms of the new product launches, you would have seen, very recently the TVS Ronin. It is a perfect combination of style, riding comfort, technology for those who lived unscripted way of life. I think it comes with a lot of world-class merchandise, accessories, a configured and dedicated Experience Program. It is going to create a new segment, I am pretty confident about that.

In terms of TVF Ntorq XT, we launched with never seen high tech features like industry's first hybrid to TFT console, TVS Smart Connect and it has got 60 plus high-tech features including, Smart Talk, Smart Track. Scooter also features with intelligo technology and TVS Radio now comes with the TVS intelligo, multicolor LCD screen displaying 18 different parameters and charging port of USB.

So overall, I think Q1 was a great quarter. When we look at Q2, we are extremely happy that the monsoon is satisfactory. We expect this to have a normal monsoon and this will definitely help the agricultural sector. The rural economy should definitely benefit from the global agricultural price trend, which promise is encouraging returns for the farmer. I think we should all be respecting COVID. The good news is there is no hospitalization, practically it is negligible thanks to the government for the vaccination drive and the booster. Social distancing

requirement is continuing. Definitely, I think this will help in growing consumer preference towards personal mobility.

We are well poised with the kind of range of products offering what we have. We are confident that this is going to help us definitely better than the industry. We are cautiously optimistic about the international market because some of the markets, some challenges in terms of affordability and some areas we are seeing some depreciation of the currency and a little bit of inflation. However, with the kind of product range, we have, TVS has got, we are pretty confident on growth in international market.

The demand for the premium products is growing. We are aggressively working with alternative sources on the semiconductor area and we are happy that those efforts whatever we have put, we'll see good improvement in Q2. Already, that's some improvement has seen in July. And we will see good improvement for Q2 and despite some challenges, what happened in Q1, we were very happy that the sustained material cost reduction and overall range and international business focus has helped us in achieving our EBITDA of 10%.

As I highlighted earlier also, we will continue to invest in new product development and technology and new features. We are planning a series of product launches in the coming quarters both in ICE and EV. We have a very strong portfolio of brands starting from the Apache series, Jupiter series, Jupiter 125, Raider, Ntorq, HLS range, Radeon on TVS and the recently launched new product the TVS Ronin. We are very confident that our customer delight is going to help us and the range is going to help us to grow ahead of the industry, both in domestic and international market.

So, the top line growth, increased premiumization and the sustained cost reduction initiatives, both in material cost and in the fixed cost will confidently help us to lead a sustained EBITDA movement. And overall, this year, as you know, the value season is starting sometime middle of September and till end of October. We are very well poised for a good growth ahead of the industry. Thank.

Moderator: Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Pramod from UBS. Please go ahead.

Pramod M: Yes. Thanks a lot for the opportunity, and congratulations sir, for pretty good set of numbers in enrollment. My question is, on the starting on the results side, I do note that based on the model mix data shared by CRM, you did have a fair bit of constraint on Apache, quarter-on-quarter in the domestic market because of semis, and even Raider did not do that well or contribute much to the production and dispatches. But despite that, you have seen a reasonably good traction on the ASP side. So, if you can just help us understand is it led by a scooter pickup alone, because that's the only category which has seen a marked improvement quarter-on-quarter. So just want to understand how's the price and the premium mix in the scooter working in terms of the variant mix. You did talk about Ntorq and some new variants and all. So, just want to understand, is it just scooters which has helped you this quarter on a sequential basis in terms of the price, in terms of ASP improvements, what you're seeing?

K. N. Radhakrishnan: Always we believed in scooter category to come back, Pramod and we have seen this quarter, scooters are almost 32% of the category share in the Indian two-wheeler industry, which is a very good news. And we have also significantly grown in the scooter category, thanks to Jupiter 110 and Jupiter 125 and Ntorq. So that is one of the categories which has significantly helped us in this quarter. And these kinds of challenges we have always faced in the semiconductor. So, I think we have taken some countermeasures, and that is going to help us in Q2.

Equally, international business and three-wheelers also have helped us and what is most important on the EBITDA side is, the sustained material cost reduction. And thanks to our strong brands, we were able to pass on price increases to the market and not be fully, but that has also helped. So overall, it's a combination of overall sales going up, scooters going up, international business doing well and also, the cost reduction, sustained cost reduction from the Company side, and on one side, the material cost reduction, sustained material cost reductions. There were also some, because there were some challenges in availability of Apache and Raider. We also controlled the marketing expenses related to that. So overall, I think it was a very concerted focus and that has helped the company.

Pramod M: Okay. Sir, related to this, sir, if you we can share the breakdown of spares and international business and in terms of revenues and the dollar rate, what you realized for the quarter?

K. N. Radhakrishnan: International, I think the dollar rate is INR76.5, what we have realized and overall turnover from international, give me a minute...

Pramod M: Events for space, sir, if you have it handy.

K. N. Radhakrishnan: Spare parts is about INR620 crore.

Pramod M: So, there is no big sharp spike, because some of your peers have seen very sharp spike in spares contribution to overall revenue.

- K. N. Radhakrishnan:** We are at the same level and international is about INR2174 crore.
- Pramod M:** Sir, the second part is related to the export business. You did talk about some of the macro getting challenging. But if you can just throw some color on your position, because you've been gaining market share in international markets from export from India for many years now, consistently. So, if you can just share how is TVS's position amidst this more moderated demand environment and whether you see growth in the IB side or the international business side for FY'23, for the company level? If you can share and also some color on your inventory situation in these markets, if possible?
- K. N. Radhakrishnan:** We have a consistent inventory now. We keep around 25 to 30 days of the inventory, plus the transportation time, especially in international. You have to provide the replenishment, because the last thing we want is loss of retail. We never keep extra stock in any market because we believe that the customer should get a fresh vehicle. That philosophy will never change.
- Now coming back to the international market, we have seen such challenges in some other markets even in the past. I'm pretty confident that this is only a small phase. Even some other markets in Nigeria or some other market in Africa, I think there is a strong brand pool for our products. And I'm pretty confident that overall, the range of products, what we have, we will continue to grow ahead of the market. And we are pretty confident even in Q2.
- Pramod M:** And so, in a way you're guiding for growth for TVS in international business for FY'23?
- K. N. Radhakrishnan:** We will grow. We will definitely grow ahead of the market. I'm pretty confident I think that kind of range of products, what we have, in terms of HLX series and HLX 100, HLX 125, HLX 150, plus our current models of Apache, Ntorq, Jupiter 125, and Raider, I think there is a huge pool for even Raider in the market. So, it's a combination of existing models doing well, customer satisfaction, and also the new products, whatever we have launched. So, I'm pretty confident that they will continue to grow ahead of competition in the international market.
- Moderator:** The next question is from the line of Raghunandhan NL from Emkay Global. Please go ahead.
- Raghunandhan NL:** Congratulations on good numbers. Sir, couple of questions. Can you talk about how much was the commodity impact in Q1? And how do you see the impact in Q2?
- K. N. Radhakrishnan:** See, commodity for Q1, I think there is a carryover of about 1%, and there is another 1%. So, overall almost 2% impact in Q1. And we have taken up prices, almost 1.5%. So, I think, plus, the product mix and the combination of benefits we got in the sustained material cost reduction, I think that helped us to keep up our material cost almost at the same level or slightly better than last year in terms of Q4 to --- I'm saying Q4 to Q1.
- Raghunandhan NL:** Yes, sir. Commendable performance.
- K. N. Radhakrishnan:** In terms of Q2, maybe small increases, because there are some materials, which are going up. But overall, if you ask me a trend, I think Q3 onwards you should see some softening in terms of material costs. Please remember that all these material costs are already at a very, very high level. And in terms of the numbers, vehicles, I'm talking for the industry not for us. We are still, in terms of the numbers we are at least three years, four years back. So I am of the view that second half you will see softening of materials.
- Raghunandhan NL:** Got it. Thank you. And, sir, other income non-operating income seems to be on the higher side this quarter. Is there any one-off or if you can elaborate on that?
- K Gopala Desikan:** The other income represents the profit on sale of our investments is more than just another income, not an operating income.
- Raghunandan NL:** Got it, sir. And that quantum would be how much sir? The profit on sale?
- K Gopala Desikan:** It is around INR22 crore. We have not considered in our disclosures as the EBITDA calculations. It is around INR21.9 crore to be very precise.
- K. N. Radhakrishnan:** If you add that, it is 10.3. So, we have kept it outside the EBITDA.
- Moderator:** The next question is in the line of Gunjan Prithyani from Bank of America. Please go ahead.
- Gunjan Prithyani:** Hi, team. Thanks for taking my question. Just a couple of questions. Firstly, on the on the EV business ramp up. Could you just update us where we are in terms of the monthly production? Because last time when we had spoken about it, we were looking at about 10,000 odd units a month. So where are we on that?
- K. N. Radhakrishnan:** Yes, we are, for example, June month, this quarter was about 9,000, but what is silver lining is, in month of June, we were closer to that 4,500 to 5,000, that number. And I'm pretty confident that July will be a better number and August will be another number, better number. So, we are moving towards the 10,000. We also wanted to reach

that as early as possible because of very good booking from the customers. And as I say highlighted, I think our endeavor is to the --- pool for iQUBE, all the three variants are excellent, thanks to the kinds of features and the product, whatever we have delivered.

So I think month after month, I'm pretty confident now, many of our suppliers, especially in the semiconductor area is also supporting us. They understood the brand strength of TVS. So, I'm pretty confident that month after month, you will see that going up.

Gunjan Prithyani: And sir, any orderbook that you can share that you have no backlogs on iQUBE?

K. N. Radhakrishnan: We have about 20,000. Okay.

Gunjan Prithyani: And roll out across?

K. N. Radhakrishnan: Yes. We are now currently about 82 cities in India, at 85 cities to be precise and because our ramp up versus the demand, there is a gap. We are also cautiously going because we have to satisfy the customers, that is very, very important.

Gunjan Prithyani: Understood. And there was also this indication that you know you will look to raise money in this subsidy to fund the expansion. So, any update or you know when can we expect any progress on that front? Any color on that will help us.

K. N. Radhakrishnan: So, we will come back to you. We are still evaluating all options and definitely, we will come back to you on that.

Gunjan Prithyani: Okay. Got it. And the second question I had was on the shortages in the premium segment, because Raider, Apache, something that you've been calling out has been affected. So, those concerns now behind? And in that line if you can also share you if there is any constraint, is there any shortage on these models at the retail, at the inventory levels in the channel, if you could give some data?

K. N. Radhakrishnan: See, definitely the Raider and Jupiter, I mean Apache did affect the retail also, the customer retail also unfortunately. We had three months, April May June where we have serious problems in both these models. But the good news is, we are having some alternate supplier which has started supporting these models. With the current supplier and the new supplier, I'm pretty confident that you will see a much, much better number into Q2.

Gunjan Prithyani: Standard inventory, sir? That is the last question.

K. N. Radhakrishnan: Standard inventory, we always believe in less than 25 days, maximum to 30 days in any model. But these models did affect, that's why I said that stock levels were very, very low in the market for these two models. In April, May June. April was okay but May and June, definitely we have suffered loss of retail as well. But I'm pretty confident that going forward from July you will see improvement in that.

Moderator: The next question is the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: First question is that despite a fairly challenging chip supply situation, TVS has been able to supply Jupiter scooters, I think 25% QoQ growth in volumes. But just trying to understand, what are some of the measures that you've been able to take as a company to pull this off?

K. N. Radhakrishnan: I think working closely with the suppliers because it's not that the suppliers also, ultimately, these suppliers also lose huge profit, because premium products, it's very, very critical. In the case of Jupiter, we were able to work closely with the supplier. Here also we work but unfortunately sometimes, you know, their tire one in certain locations had some problems and challenges. But in the case of Jupiter, that did not happen so -- and our, see, we work very closely with our tier 1 one and some other tier 1 also works very closely with the semiconductor supplier.

So certain things did not work for us in April May, but we were able to come up very quickly with alternatives for these two models, and that will definitely help in Q2. I think this is something we have to be constantly at it, because thanks to the EV sector, we are learning a lot on the semiconductor industry and what kind of challenges and the lead times. So, I think these learning helps us to prepare very --- pre planning, you know, practically you have to plan 52 weeks ahead. So that kind of planning. So, I think that is the combination of this learning has helped that for Jupiter.

Chandramouli Muthiah: Got it, sir. Very helpful. This is a follow up. A few quarters back you had given us some color on the number of pending orders for premium motorcycles, including Apache and Raider. So, if you could once again give us some color on those two products especially, what are the pending orders on those two models?

K. N. Radhakrishnan: See, pending orders, normally we don't book only in the case of EV we book because this is a very, very new model and the new set of customers. Other models normally we have very healthy demand in the market. Both Raider and Jupiter, I think we have lost retail in the month of June, May middle onwards. I don't want to put a

quantification to that because what is most important is taking countermeasures so that we don't lose the customers, okay. And there are some customers who are still waiting because they love this brand. Most importantly, what is liking to me is Apache and Raider customers still wait and we are fulfilling the demand that this month. So, I'm very happy and thankful to those customers.

Chandramouli Muthiah: Got it. That is helpful, sir. And last question is on, how management is looking at the future prospects of the moped category? Is there any plan to introduce electric mopeds also overtime?

K. N. Radhakrishnan: See, moped has got a purpose and we are extremely happy the way moped is moving. I think these are set of customers, really bottom of the pyramid, they had lot of challenges. If I look at in the last two years, I think the biggest challenge was the lock downs. And all of us know that there were a lot of challenges in terms of as category itself, but we should always remember, I gave the statistics. If I look at moped, moped has declined by 38%. But if we look at the entry-level motorcycles, okay, it is declined by 50%. So, it's not related to moped. It is related to the entry level consumer, not having the ability to buy or they had, thanks to the lockdown, they are daily wage earners. They are self-employed. If they don't go out today, they don't earn. I think thanks to, again the booster and other vaccination drive, I think today the fear of hospitalization is slowly moving away in COVID.

You will see the rural, once the rural starts picking up, the bottom of the pyramid will start picking up. I'm pretty confident. But this is 3% to 4% of the category because they have a purpose. So that purpose will continue to be there and we will definitely fulfill that. That is the role of moped.

Chandramouli Muthiah: Got it. And just on electric mopeds, is that part of the company's plans over time?

K. N. Radhakrishnan: Again, we have a range of products which we are planning to come back on EV. I don't want to specifically say these are the kinds of products. I gave you, from 5 kilowatt to 25 kilowatts, and we have a very clear range. We have iQUBE now. iQUBE three versions are there. I think quarter after quarter, I think you can see something coming from TVS to delight the customers.

Moderator: We'll move on to the next question, that is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: Good evening, and thank you for the opportunity. My first question is, again, on EVs. This is more towards the mostly the EVs that we see getting imported from China. So, the question is, basically we're seeing a lot of those slow speed EVs in the form factor of a moped. These are obviously, don't require any license nor they require registration. So, do you see that already threat on moped or, or some kind of entry level segments for the industry as a whole or these are fly by night operators and sellers and they'll probably not survive for too long? What's your take on these low speed segments as a whole?

K. N. Radhakrishnan: See, these are these are products, which we have to respect from the market side, the low speed, but I think what is most important is the customer usage. We always believe that any product, there is a particular type of customer, you'd say. I don't think customers look at the technology. If somebody wants to buy a scooter, obviously, he wants it to be going in good roads, bad roads, it should be able to climb any kind of flyover. It should be able to carry, whatever required and the normally, typically, if you look at it, husband, wife, children or they should be able to carry whatever they require for the normal household work. I think somewhere, if this --- and of course, safety, and if overall total cost of ownership. If these criteria are not met, I think they will reject that category. That is our beliefs. That's why I always say that put the customer at the center and keep working on whatever is required for the customer.

Whoever works for the customer understands the overall total cost of ownership and the usage pattern, they will succeed in the long term. Otherwise, there will be many, many products which will be coming. This is not only applicable for two wheelers. In my view, it is applicable for any category.

Mukesh Saraf: Sure, sure, sure. But are you seeing any impact also from these low-speed vehicles on especially, mopeds?

K. N. Radhakrishnan: I told you about mopeds. Moped is a, it's a big problem in the bottom of the pyramid because of the last year and last couple of years of real, real COVID. Thanks to COVID, there they were, their income level got completely, completely affected. And they had lots of challenges and all of them are self-employed and a lot of challenges. It is not only for moped. I highlighted the entire entry level. You look at the motorcycle entry level. Moped declined only 38% and an entry level motorcycles declined by 50%. So please look at it in the greater perspective.

Mukesh Saraf: Got it, sir. Got it. And again, I mean on electric vehicles itself, on electric three wheelers, sir, what's the take there? Are we seeing enough takers for that in terms of the TCO? How are we looking at the electric three-wheelers?

K. N. Radhakrishnan: Electric, we have --- it is going to be a key strategy of TVS Motor Company. We see this great opportunity. I think our full focus is on giving the best to the customer in terms of usage. You have seen already in iQUBE. Now, the new three variants, I think they will definitely delight the customer. It has got all the features, what I explained and there are three versions and I'm pretty confident that, that is going to delight the customer.

- Mukesh Saraf:** Sorry, my question was more towards three-wheelers, I mean, especially, compared to CNG, how are we looking at that as market?
- K. N. Radhakrishnan:** Which one you are asking?
- Mukesh Saraf:** Electric three-wheelers, sir? Electric three-wheelers market.
- K. N. Radhakrishnan:** Oh, electric three-wheelers. You will be seeing our three-wheeler coming soon into the market. I think the CNG three-wheeler is also very good in the market and also petrol. I think alternate fuel, I will say, again, TCO. Customers look at the usage, they look at the TCO. I think whoever is able to manage that, whoever is able to satisfy the customer requirement, they will succeed.
- Moderator:** The next question is on the line of Siddharth Bera from Nomura. Please go ahead.
- Siddharth Bera:** Yes, sir. Hi, thanks for the opportunity. Sir, my first question is on the export market. So, you indicated that the outlook is cautious, but we still expect to outgrow the industry. So just some of your thoughts on which will be the top few countries for us and how we'll be positioned in terms of market share in those countries? Just to understand the scope of market share gains in some of these regions.
- K. N. Radhakrishnan:** See, we are currently exporting to 80 countries and Africa, ASEAN, Asia, Latam, Middle East, these are all the countries. We have an excellent range of products starting from HLX to the recently launched Raider, and please remember that we also export from Indonesia our VivX [ph] and ScubX[ph]. So, overall, the product portfolio is excellent and the customer delight is also excellent from this market.
- Now, we have also seen in the past, currency challenges, availability challenges, depreciation challenges, okay. Overall, there are some markets where we feel that there are some challenges in terms of little higher inflation and also currency availability. But I think a couple of quarters it should ease out because the basic mobility needs are there. The purpose of these products for mobility is there. African market predominantly is the taxi market. The need for taxis are there, okay. Predominantly, this is the mode of employment there. So, I think a couple of quarters you moderate yourself and you can always --- and we always believe in very lean stocks in the market, we go by pull in the market. So that is definitely helping us. So, I'm pretty confident that we will be able to do extremely well in coming quarters in IV.
- Siddharth Bera:** Got it, sir. And in terms of the currency rate, so, if you see currently dollar annual is hovering closer to INR79, INR80 level. So, do you think you will be able to retain the entire price or you will probably pass on to some on to the customers?
- K. N. Radhakrishnan:** I think these are strategies of the company. We constantly look at you know what is most important, is your value to the customer. And the moment you give a value to the customer and customer feels the total TCO superior to the competition they will start preferring you. Each country has got their own currency, their own challenges. India has got our own challenges. I think these are all part of day-to-day planning and overall strategy of the company.
- Siddharth Bera:** Okay, sir. And last is that if you can share the CapEx and investment plan for the year?
- K. N. Radhakrishnan:** This year, CapEx is about INR750 crore. This is on '22-'23 CapEx.
- Siddharth Bera:** And the investment in subsidiaries? That will be how much?
- K. N. Radhakrishnan:** What is the question? I couldn't get you.
- K. N. Radhakrishnan:** Investment in subsidiary is one other question.
- K. N. Radhakrishnan:** Yes, see, we will have to invest in TVS study services to maintain the capital adequacy ratio. We are in line with what we would have done in the last year. For Norton, as we explained, it may require CapEx program is happening, there will be investment. Other than that, I don't foresee any investments.
- K. N. Radhakrishnan:** About TVS CS you want to highlight, Desikan? They have done extremely well.
- K. N. Radhakrishnan:** Yes. TVS CS performance has been extremely good. Their book size crossed 15,000 crore now. They are at 15,400 crore, is the book size. Withdrawals and NPAs is at the lowest at 3.1%, and the collections have been extremely good, better than pre-COVID levels today. The profit for Q1 is, PBT is INR111 crore. In all parameters they have done exceedingly well.
- Siddharth Bera:** So put together sir, the amount will be closer to INR300 crore to INR400 crore or probably more for this subsidiary?
- K. N. Radhakrishnan:** Around that. Around that.
- K. N. Radhakrishnan:** Yes. Yes, around that number.

- Moderator:** Thank you. We'll move on to the next question that is on the line of Aman Tarani from JPMorgan. Please go ahead.
- Aman Tarani:** Yes. I joined a bit late. So, sorry if I'm repeating the question. You have invested some INR114 crore in Roppen Transportation Services. What is this entity?
- K. N. Radhakrishnan:** This is Rapido.
- Aman Tarani:** Rapido. Okay.
- K. N. Radhakrishnan:** We have invested 2% and as you know, this is basically to leverage the synergies of their respective businesses in the fast-moving mobility market in India. So, this is going to definitely help us benefit for TVS Motor. Also TVS, because it will help us in delivery of vehicles, also credit and financing solutions. I think it is going to definitely support overall TVS. That is why we have invested in Rapido.
- Aman Tarani:** Understood and to cater to this category, because you announced a tie up with Swiggy also and now this investment in Rapido. Will we be seeing a different kind of a vehicle compared to what you have in the iQUBE going forward? Again, we always focus on the customer segment. So, you can definitely, whatever is required for the customer segment we will invest behind that. That is a strength of TVS. We have a dedicated team of R&D and we look at a customer segment, and segment by segment we will give solutions to the customer so that they get delighted.
- Moderator:** The next question is from the line of Noel Vaz from Asian Market Securities. Please go ahead.
- Noel Vaz:** Hello. Yes, congratulations on the launch of the iQUBE. Just have one question which is relating to the new iQUBE launches. How exactly does the company see the iQUBE and the investments in the whole recharging network? How do they plan to exactly take it forward? That is my only question. Thank you.
- K. N. Radhakrishnan:** Once again, can you repeat the question? One question is related to iQUBE and second one is?
- Noel Vaz:** No, sir. Actually, it's not the whole thing is that right now, the company has launched the iQUBE on the product side, but I presume that all the investments in Rapido and the tie ups with Tata Power and the other power distribution companies are still going throughout the charging network, I suppose, right, sir?
- K. N. Radhakrishnan:** Absolutely, absolutely. I think if you start integrating the investments we have made in the charging infrastructure partners like Tata Power, CESL, Jio-bp and product on the other side, I think you will be able to say that how we are --- we have a very clear strategy behind the product and also the infrastructure for supporting. Ultimately, we are looking at how do we enhance the customer convenience. How do we how do we provide depending upon the customer segment, starting from home charging, fast charging to the public charging. So, I think there is a very clear strategy. As we go quarter-after-quarter I think you will be able to understand what is the overall strategy of the company. But we are putting all the all the elements of the strategy closer to every product launch and these launches, we will be able to share with you in more detail.
- Noel Vaz:** Okay. So, from what I can understand, maybe in the quarter for now, we can expect more definitive milestones.
- K. N. Radhakrishnan:** It is a part of overall strategy. It is thought through, very well thought through and we are putting step by step in investments behind each of these partnerships, also in the product and customer segments. That's why I said, next 24 months are very, very important in terms of both customer segments, product delivery, and also the variants what we will be giving it to the Indian consumers, and definitely, leveraging these products for the global market as well.
- Moderator:** The next question that's from the line of Ronak Sarda from Systematix. Please go ahead.
- Ronak Sarda:** Yes. Hi, sir. Thanks for the opportunity. Sir, first question is on the electric vehicles production ramp. If we can also help us understand, how are we tying up on the battery cells? Because I think that's even a more critical challenge versus semiconductors currently? And in terms of new products are very different technologies on the cell side which we are working on? So, that is the first question.
- K. N. Radhakrishnan:** I think EV is a very, very important strategy for the company and we are building up long-term relationships with many of these supply-chain providers. More details, I can tell you, as we proceed quarter after quarter. As of now, we are moving in the right direction. Month after month, you will see the ramp up going up. What is most important is a very, very healthy booking from the consumer side. The 20,000 customers are giving very positive about TVS iQUBE and you've seen the new three variants in the market. And again, you will see a series of products getting launched on one side. On the other side, we are very systematically working on the ramp up. Month after month you will see the improvement, and we are also having very good relationship, many of the new suppliers who are supporting us in the EV space.

- Rohit Sarda:** Right. Right. And sir, couple of housekeeping questions. Can you share what was the export revenue last year same quarter for June '21? And what was the price hike in Q2 in July, if any?
- K. N. Radhakrishnan:** Last year Q1 export was INR1,830 crore and price hike, you are asking July.
- Rohit Sarda:** June, I think quarter you had indicated...
- K. N. Radhakrishnan:** Last quarter I said 1.5%.
- Rohit Sarda:** 1.5%. And in July?
- K. N. Radhakrishnan:** July, I think you have to give me some time. Let me check.
- Moderator:** We'll move on to the next question, that is on the line of Pramod Kumar from UBS. Please go ahead.
- Pramod Kumar:** Yes. Sir, thanks a lot for the opportunity. My question was related to Norton, because you have talked about the launch on this side very soon. So, if you can help us understand when is the launch? Is the launch expected in fiscal '23 and if you can throw more color on what is going to be the volume strategy here, in terms of what kind of volume levels are you looking at for this particular, these launches, what you are you going to do? And also related to that, is EV, a premium EV, also part of the pipeline for the upper future?
- K. N. Radhakrishnan:** I'll start from the last question. I think EV is going to be across. I think we have to look at, that's why I said there is a very clear segment by product strategy and quarter after quarter you will see how company is planning the investments and how we are planning to deliver the product. Now Norton is a very, very special and very, very premium brand. And a lot of work has happened and in the new headquarters in Solihull, we have really made an excellent, high quality manufacturing facility, assembly facility. I think a lot of work is going on there. I think you have to give me some more time. The strategy is very clearly worked out now, which products and which quarter. I can assure you that is an investment which you will see significant returns going forward. My analogy is always pretty devious in Indonesia. Okay. You invest and we are very serious about these investments whatever we make. We have to give some time because when we invest in the right segment and right business and focus on the customer, we are pretty confident that we will deliver good performance in the future. This is exactly what TVS has stood for, and you have seen, in TVS CS, you have seen in PT TVS. Okay. And quarter after quarter, you can see our strategy. We are focused on the segments and we will invest behind the right thing.
- Pramod Kumar:** Fair enough. And the second question is on EVs broadly. There were a couple of participants, including Chandu, asked about the moped, right? So my simple question to you is like, if the customer you see at the customer level, if there's a sturdy electric cargo vehicle on the two wheels, is that, if there's a demand like that, will you be kind of exploring that, because you always say that you kind of look at what the customer wants and put customers at the center of everything? I'm just trying to understand if for a lot of the urban, semi-urban and rural customers, if there is a demand for low cost, cargo movement on electric vehicle format, is that something that you're open to as a company, as a product, which you can explore?
- K. N. Radhakrishnan:** We have a very clear customer segment-wise product strategy. And you will see which products, which customer segment and there is also a rationale on the sequence of these products. So closer to launch, I can share more information about which products, which segments, how we are planning to? Now you have seen you know, we have three variants. I think at this point of time, I want to delight the customers who have booked and we have not delivered. Okay, so what is most important is these are all concurrent. Okay. We have to concurrently work on the product, and we have to keep delivering that.
- Pramod Kumar:** Fair enough, sir. And related to that, on the 25,000 capacity, what you're talking about, this would be across how many, and does this include three pillars, and does it spawn across more than one modern like iQUBE? If can just throw what is the kind of segments you're trying to cater to with the 25% capacity by the year end?
- K. N. Radhakrishnan:** We are ramping up. First is to reach 10,000, then move to 25,000, month after month. What is most important is we are delighted that the customers are showing a lot of confidence in iQUBE. I think we are very, very focused on looking at month after month delighting the customer, giving variants to the customer, giving the best features, best technology and being standing with the customer.
- Pramod Kumar:** And I know you don't comment on initial launch response, but given the response to Ronin, how would that compare with your own internal expectations, sir? The response from dealers so far and the customer so far, if you can just say whether it's kind of tracking your expectations, or is it something which can get better? If you could just share a qualitative color on that, because you talked about 10,000 number here for a month.
- K. N. Radhakrishnan:** Ronin is modern retro. It is a new category for us and the new category for the industry. I'm pretty confident that the customer will be delighted. Okay, and again, we invest in the new products. We wait for the customers. Month after month we see--- all that what I can say is, TVS will delight the customer.

- Pramod Jain:** And finally, two housekeeping questions for this concept. Any update on SEMG in terms of the financial performance? If you can share a broad revenue numbers and profitability numbers, and also there is a separate disclosure about divestment of shares in a material subsidiary in the U.S. side, which I think is related to the stake in the Sundaram Auto Component or Sundaram plant along with Sundaram Clayton So, if you can just talk more about that whether it will be a cash? Will it be cash transaction or will there be a share swap or something like that, sir? I'm just trying to understand the resulting cash it goes for TVS Motor? Thank you.
- K Gopala Desikan:** We will try to answer the last question. Yes, there is there is a proposal for divestment of the investments in materials subsidiary. The sale will happen to Sundaram Clayton which holds the balance 49.5%. By this process, Sundaram Clayton becomes 100% owner of the Sundaram Clayton USA company. It is a cash transaction and the money will be received post the approval of the shareholders by the subsidiary of TVS Motor Company, namely Sundaram Auto Components.
- Pramod Kumar:** And SEMG, sir?
- K Gopala Desikan:** As far as SEMG is concerned, K. N., would you like to say something?
- K. N. Radhakrishnan:** SEMG, as you know it is one of the leading providers of E-mobility solutions in the DSEH region. And this year, there are some supply chain issues this year, and also there is a little bit of slowness in Europe as a whole. But we are pretty confident that this product and the demand will be good. Already, we are seeing some improvement in the month of July. So, we are very confident about SEMG doing extremely well this year.
- Pramod Kumar:** So. would you expect that not on a quarterly basis, but on the longer term, they should hold at 8% PAT margin what they had in the previous fiscal, or probably get better, as volumes or revenues kind of rebuild?
- K. N. Radhakrishnan:** I think these are investments into the complete category. I think if you look at other investments, whatever we have done in the E-mobility area, especially in the E-cycle, I think TVS has got certain products. The E-mobility is on the one side and the Norton on the other side. So, you're seeing a huge range of products for both developing and developed markets. But this also gives us a great learning opportunity about Europe and the consumer in Europe. So, these are investments which are definitely going to yield very good returns in the future. I don't want to give any guidance on what exactly will be the kind of returns, but these are going to be the strategic investments, which is going to definitely help the company in the long run. Can we take the last question, please?
- Moderator:** Sure, sir. We'll move on to the next question, that is on the line of Mihir Jhaveri from Avendus Capital. Please go ah K. N. Radhakrishnan: VSead.
- Mihir Jhaveri:** Thank you for the opportunity, sir. Sir, two questions. One is on the demand side. Are you seeing --- are you witnessing the demand in terms of retail a bit of a slowdown and what's your outlook there? You said that you will be doing more than industry growth, but how are you seeing the coming quarters? Along with, what is the inventory level in our system? Will you be filling up inventory channel for the festive season? That's my first question.
- And second question is on the raw material basket, you highlighted that H2 onwards you will have the benefit. So just wanted to understand that is it safe to assume that from here on there will be, the current levels quarter after quarter we can see some bit of margin improvement? Is that fair to assume? These are my two questions, sir. Thanks.
- K. N. Radhakrishnan:** See, for the first question, this COVID situation what it is today, I'm pretty confident that this year Diwali season will be a good season. Rural, thanks to good monsoon, I think rural will do well. I'm talking about domestic, okay, domestic market. I'm expecting that rural market will do well. Even now, thanks to the vaccination drive, I think the number of incidences, COVID is becoming like a flu now. Three days, four days and no hospitalization. Still, I think we can be a little bit more disciplined in wearing the mask and the social distancing. I think it can help. But I'm very positive about August, September, October this year, because I think many of the areas there are no lock downs expected, number one. Number two, rural will do well. Number three, the urban markets will do well. Schools are opened, everything is open and I told you that already scooter category is almost 32% and scooter will continue to grow, because of its inherent benefits. The positivity according to me, the bottom of the pyramid also will start seeing some traction because last two years, they have very limited income and mobility needs are there. Thanks to the investment by the government on the infrastructure, there's definitely mobility needs are there. The two wheelers will continue to do well.
- It may take the CAGR of 10%, that we have seen about three years back. It may take maybe another couple of quarters or three quarters. But overall, I'm very positive about Q2 and Q3 you will see much, much better year overall. This is on the industry side.
- From our side, we always keep very lean stock. 25 days to 30 days. Season, no season, we look at the retail. Again, from the customer point of view, you have to give the fresh vehicle. That is our philosophy and that philosophy will continue. All that what is required is, we should not lose the retail. That is the focus. So, for that you look at the lead time. We have fortunately three plants. One in Hosur, one in Mysore, one in Himachal. So, between these

plants, we look at what is the best opportunity to deliver to the consumer, to the dealer and we make sure that stocks are available, so that we don't lose the retail. And we will never increase stocks beyond that 25 to 30 days, okay, because that has been the philosophy and same philosophy will continue even in the international market.

Mihir Jhaveri: On the raw material front, are on the margin front if you can say?

K. N. Radhakrishnan: Raw material, we can only, at this point of time, as I said already is in the peak and we have already seen Q2, maybe some more increases may be there, but the Q3 onwards you should see some settle, you know the raw materials to be stable or slight reduction. These are the things we are expecting in the market. So, we like to see quarter by quarter and we are not so much worried because this is something we have to go product-by-product and by brand. And thanks to the customer confidence on the brands what we have, we are able to pass on some cost increases, some we are able to reduce through our overall cost reduction, sustained cost reduction. We are also focusing on a premium category. So, I think the range is helping us, the demand is helping us, and our overall approach of looking at giving value to the customer through features, attractive quality and total cost of ownership, I think that will definitely, definitely help us in going forward and growing ahead of the industry.

Thank you. Thank you, everyone. So, I think I think the Q2, Diwali season, Pooja season and the kind of products what we have. And I'm very confident that we will be able to ramp up iQUBE much faster this quarter, July, August, September, and overall, the sustained cost reduction, the focus of premiumization, international business and the range of what we have, we are confident that we will deliver continued and sustained EBITDA improvement along with gain in overall growth ahead of the industry, both in domestic and international. Thank you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.