12th August 2024

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| BSE Limited,<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai 400 001.<br>**Scrip code: 532343** | National Stock Exchange of India Ltd<br>Exchange Plaza, 5th Floor,<br>Bandra-Kurla Complex,<br>Bandra (E), Mumbai 400 051.<br>**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 23rd July 2024 and 6th August 2024 with respect to the schedule of a conference call with M/s. B & K Securities post results for the quarter ended 30th June 2024 and intimation on the audio recording, respectively, we wish to inform that the transcript of the said recording is enclosed and the same has been hosted on the website of the Company and is available at:

https://www.tvsmotor.com/en/Investors/Communication

We also enclose the said transcript for your reference.

Kindly acknowledge the receipt.

Thanking you,

Yours faithfully
For **TVS MOTOR COMPANY LIMITED**

KELLIYA SUBRAMANIAN SRINIVASAN
Digitally signed by KELLIYA SUBRAMANIAN SRINIVASAN
Date: 2024.08.12 14:50:47 +05'30'

**K S Srinivasan**
**Company Secretary**

"TVS Motor Company Limited Q1 FY25 Post Results Earnings Conference Call"

**August 06, 2024**

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| **MANAGEMENT:** | **MR. K. N. RADHAKRISHNAN – DIRECTOR & CHIEF EXECUTIVE OFFICER, TVS MOTOR COMPANY LIMITED** |
| | **MR. K. GOPALA DESIKAN – CHIEF FINANCIAL OFFICER, TVS MOTOR COMPANY LIMITED** |
| **MODERATOR:** | **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED** |

**Moderator:** Ladies and gentlemen, good day and welcome to TVS Motor Company Limited Q1 FY25 Post Results Earnings 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 an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand 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. Welcome to TVS Motor Company Q1 FY25 Post Results Conference Call.

From TVS Motor Company Management, we have with us today Mr. K. N. Radhakrishnan – Director and Chief Executive Officer and Mr. K. Gopala Desikan – Chief Financial Officer.

I will now hand over the Call to Mr. KNR for the Opening Remarks to be followed by question-and-answer session. Over to you, sir.

**K. N. Radhakrishnan:** Good evening, everyone, and thanks for joining us today Q1 of FY25, the Company continued its growth trajectory, posted its highest revenue, EBITDA and profits. This was possible through continued improvement in sales, better product mix, and sustained cost reduction initiatives.

When we look at the Q1, the Company's operating revenue grew by 16%, Rs. 8,376 crores as against last year's corresponding quarter Rs. 7,218 crores. Two-wheeler domestic ICE sales grew by 14% compared to Q1 of last year. We grew ahead of the industry in retail. Two-wheeler in international market, Company sales grew by 16% over the last year.

Total two-wheeler ICE sales grew by 14% compared to last year Q1. EV two-wheeler sales is at 52,000 units as against last year Q1 of 39,000. Total sales, three-wheeler is at 31,000, slightly lower than first quarter of last year.

On profits, during this quarter, the Company registered highest ever operating EBITDA Rs. 960 crores with a growth of 26% as against EBITDA of Rs. 764 crores during Q1 of last year. And you note that we have not recognized PLI incentive in this quarter. The Company's operating EBITDA margin improved by 90 bps at 11.5% as against 10.6% during last year first quarter and as you know, Q4 last year financial year 24 was 11.3%.

Company posted its highest ever profit before tax of Rs. 783 crores recording a growth of 28% during this quarter as against Rs. 610 crores in the first quarter of last year. PBT for this quarter includes Rs. 28 crores towards higher valuation of the investments held by the Company. Profit after tax grew by 23%, Rs. 577 crores as against Rs. 468 crores during the first quarter of last year. Q4, the PAT was Rs. 486 crores.

On TVS Credit:

TVS Credit continued to do very well. Now we have more than 1.5 crores customer base. Book size crossed already 26,000 crores; the book size is Rs. 26,351 crores. Book grew by 20% over last year Q1. TVS Credit PBT for the quarter grew by 19%, Rs. 187 crores as against Rs. 157 crores during Q1 of last year. TVS Credit services by leveraging cutting-edge technology and analytics offers products in expanded portfolio, financing for used cars, consumer durables, new and used cars, used commercial vehicles, mid-corporate loan, gold loan, apart from two-wheeler and three-wheeler financing.

Regarding Norton:

We are planning to launch already 6 new products for the next 3 years. The first of these models will be available end of next year and it will also go on sale India soon after the international launch. The new range of motor vehicles will be affordable than the current line up while we still retaining the premium positioning that TVS is keen for Norton to command. As you know, Norton is super premium and this brand has got great value.

On EV:

TVS iQube established as a very strong brand in the EV segment in its technology that features best in class quality. During this quarter, Company introduced new variants to the iQube portfolio for making electric mobility accessible to everyone. TVS iQube is now available in three battery options to choose from 2.2kW, 3.4kW and 5.1kW. TVS iQube now offers an array of 5 variants available in vibrant 11 colors making this one of the largest and most attractive EV portfolios in the market. The feedback from the market and the customers are very positive.

As you know, we have a well-planned product lineup for electric mobility and you will be witnessing some of the launches soon. Last year, we started TVS iQube to ASEAN and Asian markets. We will expand EV product sales to both developing and developed markets. We strongly believe that India will emerge as a major export hub for two-wheelers EV. The continuous improvement in the EV supply chain and infrastructure, we are confident that we will continue to be a strong player in the EV segment.

On outlook for Q2:

The recent budget laid by the Government of India focused on employment generation, continued higher commitment to infrastructure and rural economy. This will add to the present momentum. We are expecting rural to recover. With expected normal monsoon, we could witness robust growth in Q2. For the first time we are seeing rural doing slightly better than the urban. The improving road infrastructure and economic environment will drive the demand for two-wheeler mobility. And two-wheeler has got a huge opportunity in the medium and the long term given the challenges in mobility as well as also investments from the government on the infrastructure and road development.

During this first quarter, the ICE Vahan industry grew by 13% over the first quarter of last year. I think this is an excellent comeback on the Vahan growth. On international business, there were some challenges in Red Sea that is affecting the transit times and increased also timely availability of vessels containers is a concern. We had some challenges in our dispatches in Q1. We have taken enough countermeasures to mitigate these challenges and situation is likely to improve in Q2.

During this quarter, we added HLX 125 5 gear to our portfolio. The new motorcycle offers features that are powerful and efficient. It has best in class durability, requires minimal maintenance as a superior engine, provides excellent mileage and performs across terrain. This will definitely further strengthen our international product portfolio. Certain select African markets are facing challenges due to currency devaluation and persistent inflation. However, considering the base effect in our assessment, the possibility of further decline in Africa is low. We feel that we will be doing better in Africa this year. LATAM gives us a huge opportunity. We have started exporting to LATAM. Asia, we are seeing some challenges in Bangladesh, but we are hopeful that things will settle down soon. Middle East also a huge opportunity for TVS and we are strengthening this area.

Our upcoming launches:

I want to highlight that there will be launching one product in ICE and one product in EV which will be coming soon in this quarter and that will further strengthen our excellent range of product portfolio. Our strong product portfolio; our unwavering focus on the consumers, quality, new products and attractive quality and technology with features, we are confident that we will outperform the industry both in domestic and international market. We are extremely happy that EBITDA has already crossed 11.5. We will continue to leverage scale benefits, better product mix and sustained effort on cost reduction. This will enable us to further improve our EBITDA going forward. We are very confident that with all the product brands, portfolio of brands starting from Apache, Jupiter, Jupiter 125, iQube, Raider, Ntorq, the StaR Range, HLX, Radeon, TVS King, TVS Ronin, we are very confident that we will do better than the industry in both domestic and international across ICE and EV segments.

Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. Please go ahead. The first question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

**Chandramouli Muthiah:** My first question is just on the other expenses line. This quarter seems to be about 11.4% of the total topline. The last time we had another expenses this high in ratio versus topline was around the June 2020 quarter during COVID. So, I just want to understand is there any one-off in the other expenses line item this quarter, because we've seen 3% QoQ revenue growth, but other expenses have grown much, much high?

**K. N. Radhakrishnan:** Other expenses, you are comparing Q1 of last year to this year, Q1?

**Chandramouli Muthiah:** I am just saying the 11.4% other expenses ratio versus topline

**K. N. Radhakrishnan:** There are three important things. One is variable nature, packing freight everything has gone up. It's about Rs. 60 crores. This is primarily because of the increase in turnover. And also the investment in brand building activities, which has resulted in increase in marketing expense of almost Rs. 87 crores. And as I have highlighted earlier, we are investing in digital technologies and innovation. That is another Rs. 35 crores. So, effectively it is between variable expenses of almost Rs. 60 crores and brand building in marketing about Rs. 87 crores and digital and another innovation activity is about Rs. 35 crores.

**Chandramouli Muthiah:** Got it. That's helpful. Second question is related to the PLI incentives. So, just want to understand, I think most of your peers in the two-wheeler industry are already booking the PLI incentives and you are also eligible. So, I just want to understand what the thinking is behind holding back from booking the PLI incentives in our accounts and how to think about as and when we book, will it sort of be lumpy for the whole year, particular quarter next year?

**K. Gopala Desikan:** One is as informed by KNR, we have not recognized the PLI in the reported numbers. Our products are eligible and are certified and we meet all the requirements of DVA. Only recently the government has issued an SOP in this regard. We are in the process of finalizing a revenue recognition for this purpose. Conservatively, we have not recognized PLI incentive. And second question, you have asked that as and when you recognize, it has been a bumpy number. The answer to that is we will clearly give a note that what is relatable to this quarter and what is relatable to the previous quarters as and when we recognize.

**Chandramouli Muthiah:** Got it. That's very helpful. And my last question is just around if you could give us the export revenue for the quarter, the spares revenue for the quarter and also if you could roughly indicate what is your current annual exposure in volume terms to Bangladesh?

**K. N. Radhakrishnan:** Bangladesh is very, very small. I will answer from that as far as we are concerned, because there were some modifications and structuring, we were changing in Bangladesh. So, numbers are very, very small. In terms of IB total revenue, Rs. 1963 crores for Q1. Parts is about Rs. 846 crores.

**Moderator:** Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh:** Can you talk about we had a good improvement in the gross margins for the quarter, raw material to sales ratio seen significant drop. So, was there softening of commodities, price increases, if you could give how much and how much each of these are contributing?

**K. N. Radhakrishnan:** I think between this year Q1 to Q4, primarily it is sustained material cost reduction initiatives and the product and geographic mix. That is the reason of about 1.4% benefit. Of course, there was a small selling price increase and there was a commodity price increase. I think the selling price increase was about 0.2% and commodity price increase/cost increase was also similar. So, primarily it has come from the material cost reduction and the geography and better product mix.

Vis-à-vis last quarter, I think there was a price increase of about 0.5%, but there was a strong material cost reduction. And also commodity softening when you compare last year Q1 to this year Q1, so overall these are the key reasons.

**Kapil Singh:** And your staff cost is also seeing strong growth, so is this sustainable level of staff cost or there are any lumpy items there?

**K. N. Radhakrishnan:** Staff cost like I always highlighted, there are three or four components in that. One is performance appraisal, approximately about 10% is performance appraisal cost and there were the other additional increases because of the digital and EV and software related, electronics related, we have definitely increased the strength there. So, significant increase has gone to only additions we made. ICE, we have not added people. And for small increase in the production, there are some small numbers, but that will not cost more than Rs. 5 crores.

**Kapil Singh:** Sure. And sir lastly, just want to check on the CAPEX plan and investment plan for FY25 and also we saw some increases in the loss cost with Swiss E-Mobility and also Norton. So, just some color if you could share like what is the operating environment in both of these companies and how should we think about evolution of these losses will be because you're going to launch a few more motorcycles in Norton, for example, will the losses increase a little bit before they start coming down? And similarly, on Swiss E-Mobility also if you can share how the business is doing and what is the growth plan?

**K. N. Radhakrishnan:** The majority of the investments in Q1 where credit service is about Rs. 300 crores. Norton was about Rs. 100 crores and the electric EV cycle business was about Rs. 30 crores and some small amount in TVS Digital. So, significant proportion has gone to TVS credit services and about Rs. 100 crores for Norton.

**Kapil Singh:** I will just repeat the question. Basically I am looking for the outlook on CAPEX and investment?

**K. N. Radhakrishnan:** Outlook on the CAPEX, I think CAPEX plan for this year will be about Rs. 1000 – Rs. 1100 crores. I think that number remains around that.

**Kapil Singh:** And investment?

**K. N. Radhakrishnan:** Investments also will be of the same order, slightly, maybe higher, the total investment.

**Kapil Singh:** Also I was referring to the full year performance of Norton and Swiss E-Mobility**.** If you could share some outlook in terms of because we saw loss of Rs. 240 crores for Swiss E-Mobility and close to Rs. 400 crores..

**K. N. Radhakrishnan:** Norton, we are now designing and developing. Like I said, significant proportion is going on in investment, design and development of the product. So, the kind of investments whatever we are making all are towards the engineering development product, all technology investments. So, everything related to product is the investment there. On e-mobility, as you know, Europe has been very slow this year. Economy has been very slow. And what we have seen is the stock levels in the industry have also gone up substantially. So, the discounts in the market are very high. So, that is the biggest reason. But we are pretty confident that things will be better or possibly in a year's time. So, we may have to have patience this year because EV cycles are definitely going to be very good for the future. The market size is big, but unfortunately you know this year, given the challenges of Europe, what is going through I think that is the biggest problem.

**Moderator:** Thank you. The next question is from the line of Gunjan from Bank of America. Please go ahead.

**Gunjan:** Just continuing with the same, Norton in the earlier question, I see that you've mentioned that there will be still eight quarters of investment here. So, how should I think about revenue contribution from Norton starting to kick in? Should we expect F26 is when the product monetization happens or if it's F27? And when you look at this 8 quarters, is it possible to quantify how much more investments in Norton?

**K. N. Radhakrishnan:** See next year last quarter you will start seeing the changes because we are looking at end of 2025, then after that possibly every quarter or every two quarters you will see the launches in a series. And the investments, similar amount will go up because till we come up with the first model, revenue will start kicking in and then possibly you will see how to cut down the investments. But six models we are looking at and they are going to be completely new.

**Gunjan:** And sir how much has been invested so far in Norton? Can you share that number? So, on Norton only, sir, you also mentioned that it will eventually be brought to India. So, if you can share your thoughts, how should we be thinking about the brand in terms of introducing it in India and are these six products relevant for India as well?

**K. N. Radhakrishnan:** See, India is a huge market and as you know, India has got super premium customers. So, we are very confident that which product which are applicable to which market closer to launch I will share with you, but I am very sure that we will be launching some of these products in India because they are applicable to Indian market and we are also looking at this as a huge opportunity in India.

**Gunjan:** And the second question is on the electric pipeline. You did mention you know in the near term you will have two launches, one is electric, one is ICE. The electric launch is on the two-wheeler side or the three-wheeler side because three-wheeler was also something that you've spoken about is due for this fiscal. Any color on that?

**K. N. Radhakrishnan:** There two-wheeler, there is a three-wheeler, there is another ICE two-wheeler. All you will see between Q2 and Q3.

**K. Gopala Desikan:** The Norton investment is around Rs. 1200 crores.

**Gunjan:** And lastly on this whole CNG as a launch option or as a power train, is that something we see viable? Is there a used case and any thoughts that we could see you guys also looking at a CNG product development?

**K. N. Radhakrishnan:** We always worked on multiple technologies. We have flex fuel, we have EV, we have CNG three-wheeler now. See what is most important is we look at there is a product plan and a delivery plan. Since we have the capability, we will study that and we will look at it as and when it is required, so at appropriate time, we will look at it what is required, but there is a very clear product cadence and the launch plans we have already planned.

**Gunjan:** So, it's fair to assume that it will be EV as a priority for now in terms of product pipeline and CNG is something that we have the capability, but we'll revisit at a later time?

**K. N. Radhakrishnan:** I didn't say anything like that, I said there are multiple technologies. We have a very strong R&D and there is a very clear product plan we have and we would like to at the end of the product plan and deliver the products to the market because these are all based on the customer understanding and white space is in the market. Like I already said, there is CNG three-wheeler, so we look at fossil fuel, we look at flex fuel, we look at EV, we look at CNG. So, as and when it is appropriate, we will look at the market.

**Moderator:** Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

**Pramod Kumar:** Before I start the question, just clarification Norton I missed that part when you talked about the timeline of the first launch, was it end of which year sir, Fiscal Year ‘25 or 26 Sir?

**K. N. Radhakrishnan:** ‘25.

**Pramod Kumar:** Fiscal Year ‘25, is it? That's good to hear.

**K. Gopala Desikan:** Calendar Year of 2025.

**K. N. Radhakrishnan:** Yes, calendar year of 2025. For them, it is last quarter of next year, let's put it that way, last quarter of next financial year.

**Pramod Kumar:** So, that would be FY26, right?

**K. N. Radhakrishnan:** Yes, ‘25-26.

**Pramod Kumar:** Thanks for that, sir. And the first question is you made a comment on the marketing expenditure being higher by significant amount. Just want to understand, does it include international markets in terms of your marketing plans there and launches and foray into new markets or is it predominantly for domestic?

**K. N. Radhakrishnan:** These are all investments done for future brand building and some of our products related brand building. So, I always say that anything on marketing is an investment. I don't consider it as a cost because we have to build brands. On one side, we invest, we had R&D and technology, we invest behind marketing expenses.

**Pramod Kumar:** But this includes international market as well?

**K. N. Radhakrishnan:** It is total.

**Pramod Kumar:** And you talked a lot of digital efforts and R&D efforts. So, if you can just help us kind of get a size, kind of investments you made in terms of headcount, what you've added or how big your digital endeavors are in terms of manpower or how big is your software team right now because we don't hear other OEMs talking about software investments. So, if you can just help us so that we get to know that what are the kind of areas where the kind of capabilities what we build in terms of these trends. So, if you can just help us?

**K. N. Radhakrishnan:** Digital analytics team, we have more than 200 people. Software, we have more than 150 people. Electronics, we have similar number. So, all put together, I would say that 450 to 500 people in the new areas of technology we have added.

**Pramod Kumar:** And a lot of these hiring and even software EV development parts are largely expense jobs given because your average capitalization rate is only 30% to 33% of R&D. But will that be the case even that EV investments because suppose other companies have different capitalization, just want to understand how does your IP and software installed capitalization rates compared to your normal R&D expenses?

**K. N. Radhakrishnan:** No, we strictly follow the accounting standards for whether it is revenue recognition or accounting of expenses. We don't necessarily capitalize or we don't unnecessarily charge. We strictly comply with the accounting standards.

**Pramod Kumar:** Fair enough, Sir. And you talked about multiple launches, but on Raider, the general feedback from dealers is that there are more variants required because our product is already at a pretty good premium to the frontline competition in terms of price point and even the variant start at a much elevated level in terms of features. So, is there any plans of doing more variant mixes there to make the plant more accessible? And also do you see a necessity for ABS choice in the 125 could be more…we currently we don't have it.

**K. N. Radhakrishnan:** Always we look at variant, we look at depending upon the customer segments. So, I think this is part of our design and development thinking process. So, we will cater Raider as a great brand, and we will continue to look at variants and appropriately applicable to the market and customer segment.

**Pramod Kumar:** And sir final question on EV, if you can help us understand where is our reach now because some of your competitors have gone kind in the distribution strategy and Pan India with lot of the dealers already selling. But where are we in terms of EV's and iQube? And how should one look at the distribution and consequently the market share aspirations as go Pan India. If you can just help us understand the timeline and the expected delta to markets and how the demand for the overall EV baskets because generally we see price drops and discounts and freebies and schemes driving sales for the industry. In that context, how does our pricing and demand equation work out?

**K. N. Radhakrishnan:** See, all of you know that currently we have about 750 dealers. And who are giving iQube. This is covering about 450 plus cities. And what is most important is we have also come up with variants and I already highlighted that we have now three variants which have added in iQube. And each one brings certain specific customer value, and that is very critical and the price points are based on the critical value what we had for example starting from 2.2 kilowatt, 3.0 kilowatts and 5.1 kilowatts. So, iQube is a very strong brand. And these brands depending upon the type of the customers, type of the usage, these are price position there and I am very confident that this will do very well to the customers in the market and we want to continue to be a strong player in the EV market.

**Pramod Kumar:** And by when will you be Pan India and in terms of the delta in terms of addressable market, what you will achieve by doing so?

**K. N. Radhakrishnan:** Month after month, we are reviewing and then we are supporting this with the current network. We have strong network of main dealers and sub dealers in India. So, we will keep expanding that.

**Pramod Kumar:** And the current demand versus supply, sir, are we in balance now or are we currently because of new variants we see higher demand than supply at this point in time?

**K. N. Radhakrishnan:** Capacity is not a problem. Only thing is, now when you have 3 variants, you have to look at. There are lot of common parts so but we have to look at wherever the delta is going up, but it's not a challenge.

**Pramod Kumar:** And sir, other expenditure as a percentage, how should you see that or model it and because there will be investments which is all required in the future but as a percentage, do you expect that to be kind of getting better or getting predictable from here on?

**K. N. Radhakrishnan:** See, we treat all these as investments, whether it is marketing investments other than the variable nature, whatever I highlighted on packing and freight because that is proportional to the turnover, whether it is marketing expenses or digital investments, I am very sure you must be happy with 11.5% EBITDA. We don't look at each and every item and try to optimize each and every item, because many of the investments which are going into marketing or digitalization, the benefits of that will come in the future.

**Moderator:** Thank you. The next question is from the line of Arvind Sharma from Citibank. Please go ahead

**Arvind Sharma:** Is it possible to share the impact of EV on the margins in the quarter?

**K. N. Radhakrishnan:** No, we looked at only consolidated between the ICE and EV. Overall, our profitability has moved to 11.5 which is one of the best. Most importantly, please understand EV has brought positive contribution which I have highlighted. But there are investments on product, technology, software, CAPEX and many of these are very, very clear investments for the future.

**Arvind Sharma:** Thank you, sir. And just one more question, more of clarification on two cost items. First is on depreciation. The expenses seem to have gone down quarter-on-quarter, any specific reason for that?

**K. Gopala Desikan:** No, probably some of the 100% depreciation item because we goes to keep by the capitalization and the depreciation percentages what we consider based on the economic life of the asset. In Q4 of last year, we had a write-off of some of the slow moving model tools to the extent of around Rs. 15 crores. Therefore that is a one-off item, even otherwise some of the 100% depreciation, some slight increase decrease is bound to happen.

**Arvind Sharma**: Alright, and this is the run rate that one should expect over the coming quarters as well?

**K. Gopala Desikan:** It depends upon the capitalization what we do going forward. It cannot be a static number.

**Arvind Sharma**: Sir, one more question is the fare valuation gains which exact entity are these gains on?

**K. N. Radhakrishnan:** We invested in our TVS supply chain. I think the fair market price has gone up between last quarter and this quarter.

**Moderator:** Thank you. The next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

**Amyn Pirani:** Most of my questions have been answered. My question was actually on the EV exports bid that you mentioned. Now the ASEAN market is a region where most Indian two-wheeler exporters have not had a lot of success because the Japanese OEMs dominate that market. But you have a local presence in Indonesia. I think you've also started some new entity in Vietnam. So, can you give a broad sense as to you know maybe three years down the line, what is the level of exports of EVs that we can expect and in these markets, would you need to have local production of the EVs to sell them in a meaningful number or can you export from India?

**K. N. Radhakrishnan:** See, as far as we are concerned, we will definitely start exporting our EV products to ASEAN markets and already advanced testing and everything is done there. So, it will start. #2, fortunately for us, there is our own plants and we have some local sourcing. So, we don't foresee a problem because the moment you have in Indonesia, then there is an ASEAN FDA, so that advantage will help us. So, I cannot be able to give you a three-year road map, but we will definitely leverage our EV products from Indonesia to other markets.

**Amyn Pirani:** And sir a follow up to that if I can ask, would you have to make significant upgradation to your Indonesia facility to achieve that or is your Indonesia facility also at a level where it can manufacture EVs as well?

**K. N. Radhakrishnan:** So, we have a good plant and facilities are there. There may be some specific investments related to EV. But the other basic charge fee or other things, there may not be a big challenge. So, EV if there are something required, we will definitely look at it.

**Moderator:** Thank you. The next question is from the line of Moksh from Anand Rathi Institutional Equities. Please go ahead.

**Moksh:** Sir, firstly on EV two-wheeler market, growth has slowed down in recent times despite the new affordable models in the market. Just want to understand how the customer looking at the EV products despite the better price points. What are the challenges you're seeing for the EV penetration?

**K. N. Radhakrishnan:** See, EV, we have to always look at the medium to long term. Any new technology, initially there will be a quick uptake. And thanks to the government, there are a lot of benefits also given, but in my opinion EV will continue to slowly and steadily grow because EV has got some unique advantages. But equally other technologies are also having advantages. So, in my opinion, EV will grow, and government is continuing to invest and supporting many of the initiatives in the EV. So, I am pretty confident that I know there are some challenges in the last one year in terms of suddenly the FAME benefits significantly come down, so there is little bit of slowness, but any new technology beyond that point, I always highlight that we cannot be dependent on huge investments from the government, but they have done the right thing in terms of supporting the initial period and there is also PLI. So, what is most important is we have to show a little bit of patience because EV technology, EV products customers will start liking it, the TCO will support and overall it will grow. But please remember. I always believe that all these technologies are going to be available in India. It's not that you will see from, I always look at from the customer point of view, customers are technologically agnostic. They will look at the product, they will look at the benefits what they are getting and the usage. Depending upon that, they will use whether it is ICE or CNG or ethanol or EV, it's a combination of things they will look at it. So, that is the way I look at it.

**Moksh:** Got it. So, secondly, as you mentioned the rural doing better than urban markets, also if you can share some thoughts on how the first time and the replacement buyers, additional buyers are doing and also if you can share the full year domestic volume guidance?

**K. N. Radhakrishnan:** See, so far first quarter I have seen the Vahan, thanks to Vahan. Now, we know exactly what is happening in terms of the sales and the registration. First time we have seen a double digit. I am a strong promoter that given the kind of demography, given the kind of infrastructure, what government is trying to build in terms of roads and other connectivity and also the public transport, the population itself given that I think the single most vehicles or mobility is two-wheeler. So, two-wheeler will grow. Till 2019 we have seen as CAGR of close to 10%. I am of the view that medium to long term, that kind of growth you can see. Currently, first quarter was 13%, this year could be more than 10%. And first important positive thing I am seeing is slowly first quarter for example, while I said 13%, rural growth has been 17%, this is the way the Vahan classifies as rural, but some of the classification maybe semi urban. But I am saying from the RTO when I look at the rural, urban, it is 17%. So, even now, even if you take urban as urban and 20% and let's say you moderate the rural to some semi urban and some rural, I am of the view the first time you're seeing the rural becoming better. Two reasons according to me the confidence on the rural side, overall you can look at rural urban in India 50:50. Rural side, the sentiments are positive. We had a very, very bad summer, but the rain, the monsoon seems to be normal. Of course another three more months are there for monsoon up to September-October you will see monsoon in India and some part of South India it will go up to even November. So, I am of the view that the self-employed category in the rural are slowly now looking at new products. When I say new products, they were extending the existing product by service, service, service. Now they are looking at some replacements, some new products but I may not be able to give you exact proportion but I am of the view that is a good sign because India strength is rural. I am not saying that urban is not our strength, but definitely rural India has to fire for overall economy to do well. Early signals are seen now.

**Moksh:** So, is it fair to say with the higher rural demand, the first-time buyers are also seeing better traction from those customers?

**K. N. Radhakrishnan:** We have to closely watch it, but according to me you will see the better and better rural demand going up. I think it will happen.

**Moksh:** And just lastly, sir, is there any plan for doing some production for the E-bikes and the Norton in India sir, because we have very good supply chain in India. Is there any plan to do that?

**K. N. Radhakrishnan:** We will always evaluate depending upon the volume, demand, strong supply chain. Of course, India has got very, very strong supply chain. Thanks to the relationship with BMW, most of the suppliers are from India. So, I think we can leverage that, so we will evaluate based on which is the best, which is the best quality and we look at which is appropriate depending upon the market. So, this is something we constantly evaluate.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

**Jinesh Gandhi:** Firstly on the commodity cost, are you seeing any signs of inflation going forward? It had been pretty benign for last few quarters, but are you seeing inflation in any of the key commodities and resulting in impact on our gross margin going forward?

**K. N. Radhakrishnan:** See, we saw some impact in the Q1. I am of the view that you will see some commodities. There could be some slight increases. See, we saw aluminum going up in Q1, but we saw some softening in other material and the precious metal. So, I think it will be a mixed view in my opinion, it may not substantially worse, but there could be some marginal cost increases going forward.

**Jinesh Gandhi:** And in that context, have you taken any price hike in first quarter and second quarter so far?

**K. N. Radhakrishnan:** Yes, we took about 0.2% in quarter one. And some small increases we have taken in quarter two, which is also similar to quarter one about 0.2.

**Moderator:** The next question is from the line of Raghunandan from Nuvama Research. Please go ahead.

**Raghunandan:** Congratulations on strong numbers. Firstly, Q1 EV volume was strong at 52,000, revenue could be around Rs. 600- Rs. 700 crore, assuming 13% PLI rate, would 80 to 90 crores be a fair estimate for PLI incentive? I mean, you have not booked in first quarter but would that be a fair calculation?

**K. N. Radhakrishnan:** We will come back to you whatever is the Q1 PLI benefit and what will be the next quarter benefits?

**K. Gopala Desikan:** But only one thing we want to tell you that only two of our products are now approved.

**K. N. Radhakrishnan:** Significant volume products are approved. We will come back to you when we plan to put our PLI.

**Raghunandan:** Secondly on the exports, exports have done well with double digit growth YTD, **with the** growth expected in Latin America, Asia and flat growth in Africa. Can we expect double digit growth for full year FY25?

**K. N. Radhakrishnan:** See this year, like I said, the worst is over is my estimate because we went through some tough times in Africa, which is a strong area, so that I am of the view that you will see some improvement going forward and maybe a little bit challenges may be there in Bangladesh which is very, very small in terms of overall volume. We are happy that our Middle East is doing better is a big market. LATAM, we have started doing better than the industry, so I think going forward we will further strengthen Africa. We will start investments in LATAM and we'll start build it. Middle East is in between. So, we can take it to the next level. Maybe Bangladesh in couple of months we will, Asia, Sri Lanka just started little bit of exports. So, Nepal is also already doing well. So, Bangladesh may take a little time. But I am very confident that these are very strong markets for TVS. ASEAN might take little time but please always remember that I am of the view that sometimes you have to be patient. You have to stay and if you stay in the market, keep giving the products to the customers, very confident that you will also at some point of time you will start succeeding in ASEAN.

**Raghunandan:** And also you are working on improving position in Europe, if you can share your thoughts and strategy there?

**K. N. Radhakrishnan:** See Europe, we have started now. Italy, we are also now discussing some of the markets in Europe. Please remember these are developed markets and we have to be showing some patience because customer need to understand us. So, far in all these developed markets, we are present through BMW, the relationship, the platform whatever the 300 PC, the 310 Series, whatever we are selling in every developed markets. First time we are also putting our product into this market in TVS branding. So, I am very sure again these are investments which will take place between next quarter, definitely these for 3 quarters you will see some changes in terms of investments and products going there and starts identifying dealers and sales. So, it should be treated as a big investment and going forward this is and of course we will be leveraging our EV products as well.

**Raghunandan:** Just on the housekeeping side, basically sir if you can share the other operating income for Q1 and also TVS Credit net worth for March 24?

**K. Gopala Desikan:** Let me give the net worth of TVS Credit services as of March 24, it was Rs. 3865 and we are at Rs. 4333 crores now as far as net worth is concerned. What was your next question?

**Raghunandan:** Other operating income for Q1, if you have it handy?

**K. Gopala Desikan:** Other operating income is around Rs. 84 crores.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

**Jinesh Gandhi:** Second question was on Star City. So, we have seemed to have stopped production of Star City. So, is it for an upgrade or we think that space will not be growing at a reasonable pace?

**K. N. Radhakrishnan:** So, we did not stop Start City. I think we were changing over to certain specific reasons. So, Star City is a very strong brand for TVS and we are present in the market. There is nothing new, but the new Star City, I won't say it's a new Star City, it is the same Star City because overall customers in the market is huge for Star City. So, we plan to a little bit of do certain improvements and changes that have been incorporated that is back. Customer side, there is no gap. Practically, it is there every month in most of the markets.

**Jinesh Gandhi:** Got it. And on the EV side, currently we have a reasonable spread of product portfolio covering from mid-speed to high speed. What are the gaps which you would like to cover with the upcoming priority on?

**K. N. Radhakrishnan:** I think you wait for the launch and I can tell you what type of product it is going to be because we believe in looking at the customer segments and delivering products for each of the unique customer segments because that is what is very critical. So, possibly in between Q2 and Q3, you will see some of these best launches from TVS.

**Jinesh Gandhi:** And lastly, can you share the USD and realization for the quarter?

**K. N. Radhakrishnan:** It is 83.2.

**Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

**Mukesh Saraf:** While most of my questions have been answered, so this question is on your upcoming EV launches. Could you kind of share some aspects about the new generation platforms? So, basically trying to look at how are you looking at insourcing versus outsourcing of some of EV components? And would the new design or the new platform be a lot more cost effective in terms of your contribution margins, assuming everything else kind of stays the same.

**K. N. Radhakrishnan:** First, we look at the customer segment and then we look at what kind of platform and the products are required. Then, thanks to India, there is a very strong supply chain. So, we decide what could be done inside. Sometimes we do inside as well as you know both make and buy, so these are all strategies depending upon the volume scale and how it is going to be played with. And definitely I will tell you closer to the launch. What kind of products you are looking at in the EV space in the two-wheeler side, I am very sure it is going to be an exciting product to the market.

**Mukesh Saraf:** Sure, Sir. I understand that. So, what I was looking for is versus your current iQube platform, how would the new generation platform be different in terms of say would it have an integrated motor controller, or would there be some other such aspects which would probably be reducing our cost in this?

**K. N. Radhakrishnan:** It will be exciting, I can promise you and it will connect with the customer segment. Closer to the launch I will give you all the details.

**Moderator:** Thank you. The next question is from the line of Viraj from SIMPL. Please go ahead.

**Viraj:** Yes, just two, three questions. First is, we talked about products and customer mix as one of the key driver of gross margin expansion, can you elaborate a little bit more on this, what elements of product mix and geographic mix has aided this and how should one understand the sustainability of this margin?

**K. N. Radhakrishnan:** Margin will be sustainable because there is a very strong focus on the product mix. We also look at the sustainable cost reduction in a big initiative. So, these are the two levers which are giving us significant benefit and based on the commodity cost increase plus minus, we also constantly look at given the strong brand presence. We also look at our selling price increase. So, it's a combination of the product mix, which is fairly good and geography mix. And material cost reduction, I think it is sustainable because that is again volume dependent. Also, I have given you that when the volume goes up, you can always look at 2 suppliers. So, the same drive on looking at multiple suppliers, looking at the share of business, looking at the product mix, looking at the volume, scale benefits of all this combination come in the material cost reduction and product..

**Viraj:** Yes, I understand that. Part of the measures taken to reduce your raw material consumption, what I am just trying to understand is a little more granularity on the product mix and the geographic mix. So, would it be right to think the large part of the improvement would be because of product mix and geographic mix vis-à-vis the RM cost reduction measures or?

**K. N. Radhakrishnan:** Equal, between product mix, geographic mix and the material cost reduction is almost equal.

**Viraj:** And what do you mean by product mix and geography mix? Can you elaborate more?

**K. N. Radhakrishnan:** Product mix, we have starting from Moped to Apache. So, each product we look at the total portfolio. And even in the pricing, we have also variants. For example Jupiter, we have an entry product, but we have variants like the Jupiter Grande starting from the entry level, ZX, and Grande. So, there are three variants on the higher price. So, depending upon that and there are certain customers who look at the entry level variant, but there are many customers who look at the proportion of ZX and connected variants and Grande, so like that. So, we always constantly look at, for example, how do we sell more on the variants which are connected, which are ZX, which are Grande because that gives us better margin, but equally for the budget customers you look at the entry level model and I am giving you one example.

**Viraj:** So, second question is on the investment. I think in last quarter you talked about us making a one-time investment of regularly capital requirement in TVS Credit Services. So, since that is now done in Q1, do you see any further capital requirement intuition from our side to TVS Credit services?

**K. N. Radhakrishnan:** No. TVS Credit services, as of now this year we may not invest further because of the capital adequacy norms. We are at 18.9%. There are as of now, no plans for further infusion, but the Company is doing extremely well. They are doing, they are growing and profitable.

**Viraj:** And parent also is in NBFC in consumer durable space, just trying to understand know from your perspective what's the thought process behind having 2 NBFCs competing and how should one look at in terms of structure between the two?

**K. N. Radhakrishnan:** Now as of now, we are waiting for the regulatory approvals for that new acquisition. It's a small NBFC with Rs. 5500 crores of book size. They are not competing with each other. It's a different segment in which they operate. It's a small ticket size where they have a strong market in the areas where TVS credit services has not all that presence and a little presence there and therefore they will not compete with each other, but.

**K. Gopala Desikan:** And actually the book size is going to significantly grow with that addition.

**Mukesh Saraf:** No, I was just trying to understand, why you have two NBFCs from a parent point of view? I think the similar acquisition could have probably done through the TVS Credit Services as well given the kind of balance sheet they have we could have easily funded it so just a thought process.

**K. N. Radhakrishnan:** It's a decision of the holding Company board to buy that Company being a CIC Company to house the group related investments there, the new acquisition, they're waiting for the regulatory approvals, and we will wait for the approvals for the next stage of action on.

**Mukesh Saraf:** Just last question, you mentioned that you also made an investment of Rs. 30 crores – Rs. 35 crores in E-bike subsidiary. Given the losses they've been incurring now, I understand the demand is weak and there are challenges in terms of pricing and discounts and all. But on the cost side, how are we looking at it? Bulk of the production still based in those European territories. Is there an avenue where we can kind of shift the production to most centralized setups in India or any thoughts if you can give? How are you looking at in the cost part?

**K. N. Radhakrishnan:** See, these are investments. Unfortunately, I told you Europe is going through some difficult times or challenging times because of the economy and the other pressures, but I am very sure that in this businesses, 1 year-1.5 years, this could go through this way. But we have always seen on a medium term point of view, things will come back.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint we have reached the end of our question and answer session. I would now like to hand the conference over to the management for closing comments.

**K. N. Radhakrishnan:** All of your team, thanks for joining us in this call. All of you have seen a very strong Q1. Company continued its growth trajectory, recorded highest ever revenue, EBITDA, PBT. The quarterly operating revenue grew by 16% over last year and we are at 8,376 crores. And with our unwavering focus on consumers, quality, we are confident of continuing to grow ahead of the industry both in domestic IB across ICE and EV. We will continue to leverage scale benefits, focused premium migration and sustained cost reduction, material cost reduction and this will help us in focusing on EBITDA, but equally we will invest in technology, we will invest in marketing, we will invest in building the brand globally. In the last five years, if you look at our EBITDA margin, significantly it has gone up. And it has given all the benefits. And I am very sure some of you would have heard the 32nd AGM of the Company. As the Chairman highlighted in his speech, we are gearing up for exciting times ahead as we are transitioning to high tech, global and smart mobility Company. We does have the ability to delight the new age customers. We have faster, passionate, motivated and aligned team dedicated employees, partners, stakeholders working towards one goal. Once again thank you. Thank you everyone for joining this call. Thank you.

**Moderator:** Thank you. On behalf of B&K Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.