



“TVS Motor Company Limited
Q1 FY '26 Post Results Earnings Conference Call”

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MODERATOR: **MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI
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Moderator: Ladies and gentlemen, good day, and welcome to TVS Motor Company Limited Q1 FY '26 Post Results Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited (B&K 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from B&K Securities India Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Thanks, Palak. Welcome to TVS Motor Company Q1 FY '26 Post Results Conference Call. From TVS Motor Company Limited management, we have with us today, Mr. K. N. Radhakrishnan, Director and Chief Executive Officer; Mr. K. Gopala Desikan, Chief Financial Officer. We will start with opening remarks by K. N. Radhakrishnan, to be followed with the question-answer session. Over to you, sir.

K. N. Radhakrishnan: Good afternoon. Good afternoon, everyone, and thanks for joining today. TVS Motor Company posted its highest ever revenue surpassing the new milestone of INR10,000 crores in a quarter, with the sustained growth above the industry. During the quarter, company sales volume grew by 17%, revenue grew by 20%, operating EBITDA grew by 32%, and profit grew by 35%.

This was possible through our consistent customer centricity approach, very strong brands across all segments and sustained cost reduction initiatives taken up by the company. We sincerely thank our customers for the significant milestone.

Let me now get into more details about the first quarter of this financial year. On the sales side, during this quarter, company's operating revenue grew by 20%. It is at INR10,081 crores as against last year's INR8,376 crores in the first quarter of last year. Two-wheeler domestic ICE sales grew by 8% compared to last year quarter 1, and we saw some decline in the industry corresponding to last year.

The two-wheeler international market, company sales grew by 40% over last year against an industry growth of 23%. Total two-wheeler ICE sales grew by 16% compared to Q1 of last year. Industry decline was about minus 3% in the same quarter. EV two-wheeler sales grew by 35%, at 70,000 units as against last year's 52,000. Total sales of three-wheelers grew by 46%, 45,000 units as against last year's 31,000 units.

On profit, during the quarter, company's operating EBITDA grew by 32%. It is at INR1,263 crores as against last year's INR960 crores. The company's operating EBITDA margin improved by 100 basis points, which is at 12.5% as against last year's 11.5%. But if you include last year, PLI during the last year first quarter, it was at 12%. So effectively, the quarterly last year to this year, 12% EBITDA has gone to 12.5%.

The company registered PBT of INR1,053 crores, recording a growth of 35% during this quarter as against INR783 crores. If you adjust the proportionate PLI, the Q4 profit PBT was INR1,112 crores, adjusted proportionate, this one was INR953 after PLI. Profit after tax grew by 35%, INR779 crores as against INR577 crores.

Just to summarize, if you recollect last year, last quarter, we put all the PLI benefit. Corresponding to Q4, we were at 12.5% EBITDA, including PLI. This is just for a reference for all of you. And corresponding number for last year Q4 -- Q1, was 12% EBITDA. As against that, we have done 12.5% EBITDA this quarter. So the comparison, I hope it is very clear to all of you.

On TVS Credit, this quarter, we saw 30% growth in PBT, INR243 crores as against INR187 crores during last year's first quarter. The book size is at INR26,900 crores. In Q1, TVS Credit achieved a significant growth in consumer financing, while maintaining its focus on risk-calibrated growth across product categories. TVS Credit is working to build a diversified book by expanding product offerings, distribution, enhanced customer experience and operational efficiency.

During this period, TVS Credit disbursed loans to over 16 lakh new customers, bringing its total customer base over 2 crores. TVS Credit will continue to focus on a steady growth by increasing market share, expanding product offerings, expanding distribution, driving digital transformation, enhancing customer experience and operational efficiency, continue to grow the group size and PBT.

On Norton, all of you know that end of this financial year, we'll be launching products, multiple new products. And they will be available in the first quarter of next year to many markets in Europe, and this is as per plan. Norton will unveil this new generation super bike this year. And in the quarter -- first quarter next year -- last quarter of this year, you will see more models to be unveiled.

The upcoming range of Norton motorcycles will be significantly more accessible, and we are looking at the super premium positioning, and this is a very clear strategy which we have been highlighting to all of you. And we are also coming up building our retail strategy. We are also planning to launch these products in India. So more details, we will present closer to the launch time.

Coming to the domestic ICE business outlook, okay, first quarter, we saw a moderate growth of 4% over the first quarter of last year. Rural growth was slightly lower than the urban growth this quarter. We feel that this year, the positive thing is the monsoon arrival was a little early, and the sowing has started.

And we are confident that Q2, you will see -- while there are some challenges in the month of July, you should all remember that this year's season is going to be middle of September and all of October. So, we are expecting a moderate growth in July, August, September.

The reduction in the benchmark repo rate 50 basis points in June. And totally, we have got about 100 basis points in the last 6 months. They should definitely translate into better retail financing

to consumers. And this is likely to help the two-wheelers to get better support in the growth this year.

The monsoon is slightly above normal this year, and this is definitely going to build a better sentiment and support the rural economy. Season -- like I said, we are positive about the season. We should see growth in the season this year. The last few years, we have continuously witnessed increasing trends towards scooterization, and we are confident that scooterization will continue, equally premiumization in the motorcycle. And TVS has got strong brands, both in scooters and in premier products that will help us to continue to grow ahead of the industry.

On EV, during this quarter -- during the first quarter, we have seen a growth of 34%. The EV penetration of two-wheeler industry is at 6.3%. TVS iQube has done pretty well, and it has surpassed 6 lakh unit sales, continuing its market leadership in India so far. We have launched new variants of TVS iQube with 3.1 kilowatt battery that offered a very good range, and it has got Hill Hold, dual-tone design.

With this TVS iQube portfolio now offers an array of six variants, making this one of the widest and most compelling portfolio in this segment. All of us know that there are certain challenges in the availability of magnet. We are trying to mitigate it. There are challenges in the short term, but we are also working along with a certain long-term action.

Our recently launched EV three-wheeler, TVS King EV Max is doing extremely well. Customers are definitely liking it and the response is very positive. We'll be scaling it further. Like I said, we will have a prominent space in the EV three-wheeler category. There are products which we promised, which will be ready in the next quarter for launch, okay, which includes a three-wheeler and a two-wheeler EV.

On international business, TVSM has posted highest ever quarterly sales of 3.52 lakhs of exports, driven by strong growth in the major markets. In Africa, like I said, the demand is becoming stable, and there are countries which are doing very well. And we are very positive that this growth will continue to sustain, and there is a good opportunity for TVS to gain further.

We have launched TVS HLX 150 5G. This new version introduces various advanced features. It continues to be powered by 150 cc EcoThrust engine with integrated oil cooling technology, a combination that ensures efficient and smooth product delivery, reliability, engine longevity and low fuel and maintenance costs. For this set of customers, what is most important is reliability, durability, coupled with lesser TCO.

LATAM region continuously growing, and we are also growing ahead of the industry. There's a good opportunity in this market because our share in LATAM is much, much lower. So, our focus is going to be in LATAM market to build it to a much higher level. With our product range, we are confident that in LATAM, we will continue to grow ahead of the industry this year.

In Asia, the major markets are doing well. As you know, Sri Lanka and Nepal are growing in numbers. The economic recovery is seen in Sri Lanka, and we have seen a gradual rebound in the demand. We expect Sri Lanka to do better in Q2. Nepal is also doing well. While there are

some challenges in Bangladesh, I'm very sure that over a period of time, that will also start to improve.

Overall, both in domestic and international markets, with the range of products that we have, we are able to do well, and we will continue to do better than the industry. We set a robust base in Q1. Q2 is poised for a strong growth led by festive season, both in domestic and international markets. ICE and the EV segments, while there are some challenges in EV, I'm very sure the season is likely to be very positive with the kind of range of products what TVS has.

Our unwavering focus on consumers, quality, new product and with attractive quality, technology with features, we are confident about outperforming the industry, both in domestic and international markets. Overall, as you know, company has been growing in the top line consistently and we have been growing in our EBITDA. And with the scale as well as better product mix and our efforts on sustained cost consideration, I'm very sure that we will continuously improve our EBITDA, and we will continuously grow ahead of the industry. Thank you.

Moderator: The first question is from the line of Binay Singh from Morgan Stanley.

Binay Singh: Congrats on good set of numbers. I'm just trying to understand your commentary and the data. So if I look at quarter 1, we are saying that rural is doing better, but at the same time, we've seen mopeds are down Y-o-Y. Motorcycle also ex Apache is down. So does it mean that scooterization is rising in rural, and that explains this commentary. Is that a fair understanding? That's the first question.

K. N. Radhakrishnan: In the ICE if you look at it, this quarter, the rural growth was only 3.3%, while the average is 4%, okay? And one of the reasons could be that this year, we have seen the monsoon a little bit early as well as the start of sowing, which is early, while this is definitely likely to do better for Q2 onwards.

And we are seeing currently, the water levels in the reservoirs are 70% higher than last 10-year average. So these are all positive sentiments. I am expecting that agriculture to do well, rural to do well. But what is a little bit of concern is we cannot have, on the other side, a little bit over rain and flood. So we are positive. And rural should come back for the season.

Binay Singh: And sir, how is scooterization in rural area?

K. N. Radhakrishnan: Scooterization is pretty well even in the rural. The proportional scooters are also becoming better. I think most important is the infrastructure development, the roads, even in the rural areas are becoming better and better. That is definitely supporting the proportion of scooters increase in the rural as well.

Binay Singh: And sir, secondly, on electric vehicles in the annual report, we are talking about an electric motorcycle and a bicycle launch this year. So the bicycle launch will be sold out of our existing dealerships only, just to clarify? And secondly, in light of the rare earth magnet restrictions, is

our motorcycle launch on track? How would you see full year electric two-wheeler sales? Any comments on that?

K. N. Radhakrishnan: The cycle closer to the launch, I'll be able to give you more details. We are still working out all the details on that. On magnets, as you said, there are some challenges, but we are looking at various alternatives at this point of time.

Binay Singh: And sir, any timeline by when we can broadly go back to the number run rate that we had? Is it a 2-, 3-month issue? Or do you think this could percolate through the remaining year also?

K. N. Radhakrishnan: At this point of time, I may not be able to give you exact projection because practically, we are running -- managing daily production. So what is most important is we are working out alternates and we are also looking at -- but everything has got a lead time.

Moderator: The next question is from the line of Pramod Kumar from UBS Securities.

Pramod Kumar: Sir, congratulations. I think the 30% plus EBITDA growth in this kind of environment is definitely something which we are not seeing otherwise. So good job on that. And sir, linked to that only as to you continue to kind of maintain your commentary that you aspire to grow out of the industry and also continue to expand margins at the same time. So if you can just help us understand what are the kind of market share aspirations you have? because you're already kind of ramping up closer to 19% to 20% band as we speak.

And margins have ramped up to 12.5% on a steady-state basis. So if you can just help us understand what's the kind of runway you are looking on both these parameters as to where you think you have full market share is in the next 2 years and where the margins could be in the next 2 years? Any broad thoughts? If you don't want to quantify -- even if you say, qualitative color, that would be very helpful.

K. N. Radhakrishnan: See, we always look at customer first. And what is most important is focus on the customer, delight the customer, give them the best products and technology. And I'm extremely happy that the product range what we have is doing extremely well. For example, the Jupiter 110 what we launched is doing extremely well. Jupiter 125, the recent one, whatever we have put, dual tone is also doing well. So overall scooters are doing well.

And if you look at -- Apache is doing well. If you look at Ronin, that is also doing well. Ronin started slow, but now it's clocking pretty well and Raider is doing well. So overall, what is most important is you have to leverage your product range. That is happening. That is primarily because the customers are delighted about the product range. And on the other side, international market, like I said last year, we had a big problem in Africa, because Africa went through some tough times in the industry.

Now that bottoming is over. So we are able to see Africa coming back. And you remember, Sri Lanka was closed, and Sri Lanka is open now. Nepal is doing well. Bangladesh is going through some tough time, but I am very confident that over a period of time, the consuming class on the three-wheelers are there. And for us, we have started a little late in LATAM, but LATAM also

we are growing ahead. What is most important for us is the customer and the product range, which delight the customer, both TVS has always invested in.

So I am pretty confident that going forward, we will be going ahead of the industry. And when the top line happens, every line happens, that is always our focus. When the top line happens, you get better product mix, better geography mix. And always, we can look at what else we can do on the cost reduction, and we always give value. Without compromising on quality, we look at what all things we can do on the cost. And the scale benefits also helps us in amortizing the other fixed costs. I think these are the broad strategies we are consistent on our approach.

Pramod Kumar: So you believe there are enough customers left who are yet to be kind of serviced and delighted by TVS. Is that a fair assessment, sir?

K. N. Radhakrishnan: More and more customers we are able to delight every quarter. That is the way I will put it.

Pramod Kumar: Okay. Fair enough. Sir, second point is on the investments because we kind of built a company around Norton, we had the brand, but we have to build everything else around that, right, from manufacturing to product development, everything, right? So where do you think we are in the journey as we approach the product launch?

How -- will it be, again, investment heavy, the period -- the next 2-year period compared to the period of last 3, 4 years? How should we look at it as investors? Because it's been -- it's taken quite a lot of resources. And of course, the product launch is getting closer.

So how should investors kind of think about the kind of investments what you've done and the kind of work you've done and what should be expected as the brand goes live? Whether you will see some stabilization on the investment and the business will start generating cash flow on its own now. So how should one look at the investment going into that particular business, sir?

K. N. Radhakrishnan: I'm very happy you're using the word investment. So we are very prudent. I think the Norton will have the products Q3 and Q4 of this year. And I'm very sure next year summer; you will see these products in Europe. Country-wise, we are preparing the strategy of how to launch it. We have to have network, we are working out various scenarios. But the product side, we are pretty confident it's getting ready. And once the products are ready, then we have to put the marketing.

And as you know, Norton brand is very well known. We have to make it stronger. Lot of initiatives on the marketing side is being worked out. And definitely, it will be available in India. India Norton is going to be a key strategy market for Norton. So overall, we are pretty confident that Q3, Q4 onwards this financial year, many actions will happen. On the investment side, on Norton, please understand the final stages of the product preparation is happening. But you need to have more products, please understand. The success of any company is based on not just one product.

At this point of time, we are looking at three products and some variants of that. So totally, there will be some six products out of that, and then it has to be marketed. There will be investment behind marketing. There will be focused countrywide approach. So in my opinion, the

investments, whatever you have seen, the same trend will continue in because this is a very good brand, and we have to now put all the effort in making this brand globally very fully active.

Pramod Kumar: Fair enough. And any update on the e-three-wheeler business, sir, because micro markets we're doing well.

K. N. Radhakrishnan: E-three-wheeler, we are doing extremely well, I think this month, we are already crossing 2,000 plus. The market is also doing well. It is growing very fast. And like I said, if you look at e-three-wheeler in Q1, this year, we did almost 5,260 numbers. And I am pretty confident that we will reach a prominent place in this EV three-wheeler, this year.

Moderator: The next question is from the line of Chandramouli Muthiah from Goldman Sachs. The line for the current participant is disconnected. The next question is from the line of Kumar Rakesh from BNP Paribas.

Kumar Rakesh: My first question was a clarification. So, you have planned to raise fund through NCDs. So, what's the reason behind that? And is there any specific investment that you are raising this funding?

K. Gopala Desikan: NCD funding, if you know that the SEBI has mandated the 25% based on the incremental (previous year's) borrowings has to be only in the form of a capital market funding. And therefore, the current year's requirements is being funded through this raise of NCD. And it's an enabling resolution. The actual amount will depend upon the market conditions and the requirements.

Kumar Rakesh: If you can share some performance of how TVS e-bike company is doing. I understand that you have renamed and put all your Switzerland-based entities under that. So how's that entity been doing recently in the -- and more specifically in this quarter?

K. N. Radhakrishnan: See, overall, the e-bikes is a bit slow, primarily because of the economy in Europe. And we have very clearly looked at the positives of this product. The products are extremely good. But when the economy is going through and the industry is going through some tough times, sometimes we have to be a little bit patient. So that is exactly what we are now doing. But on a medium-term basis, we are very confident that it will start breakeven and start making profits.

Kumar Rakesh: Got it. Just one final clarification. So there's some investments you have done in TVS supply chain as well in the quarter? Any color on that would be really helpful.

K. N. Radhakrishnan: There is nothing special about it.

Kumar Rakesh: Okay. It's part of treasury activity, I assume then?

K. N. Radhakrishnan: Yes.

Moderator: The next question is from the line of Gunjan from Bank of America.

- Gunjan:** Just a couple of clarifications on the P&L. If you can share the EV revenues for the quarter and the absolute PLI amount, which was accrued? And a little bit of color also on the staff spend surge in this quarter?
- K. N. Radhakrishnan:** See, PLI I told you about 0.5%, and -- overall, and we did about 70,000 EV this quarter.
- Gunjan:** So, can you share revenue on the EV?
- K. N. Radhakrishnan:** Yes
- K. Gopala Desikan:** Around INR1,000 crores.
- Gunjan:** Okay. Got it. And staff cost, anything one-off to call out? Or is it just the normal trend line that we should work with?
- K. N. Radhakrishnan:** There is a normal line. What normally happens is we have the performance appraisals, everything happens in the quarter 1, and increments are also given at this time. And as you know, we are also looking at -- in specific areas where we want to improve the competency, we are also adding a few people, additionally. It's not significant. But based on whatever required for our future plans and strategies, we are investing in certain areas, certain type of people. That will continue as a company.
- Gunjan:** Okay. Sir, just shifting gears, I just wanted to hear your thoughts on something that you lay out in the annual report that we're looking at rolling out a separate distribution -- premium distribution. What is the thought process around it? Like what -- is it primarily to do with Norton launch? Or is it that we're actually expecting a big lineup of products on the premium side? I mean, some color on what's the thought process behind having a separate distribution for premium products?
- K. N. Radhakrishnan:** See, we will have a differentiated retail strategy in India covering Norton, and possibly some of the premium TVS bikes. The work is going on. Once we are much more clearer about the strategy, I can share more details about that.
- Gunjan:** Okay. And lastly, any thoughts on ABS norms. I mean, what are the conversations? Are we seeing that coming through from Jan onwards? Any updates that you can share around it? And what does it mean in terms of cost for...
- K. N. Radhakrishnan:** As -- I can talk about because in the two-wheeler category in SIAM, we are all together, we are discussing with the government. I think we will -- as of now, the discussions are going on. Appropriate decision once it comes, I'll be able to share you with more details. But please understand rider safety is the most important, and we all give highest respect for safety of the riders and the others. So this is highest priority.
- Moderator:** The next question is from the line of Kapil Singh from Nomura.
- Kapil Singh:** Congrats on a good set of numbers. Just one small follow-up on the PLI. Currently, I believe the full EV revenue is not eligible for PLI, right? So, by when do you see the other products in the

portfolio becoming eligible for PLI? Should we expect that by the end of the year, that should be possible?

K. N. Radhakrishnan: See, there are certain criteria. The timeline will depend upon when we need those criteria. So, we are already working on it. Progressively, it will cover all the products.

Kapil Singh: Okay. Do you have a road map like by when do you...

K. N. Radhakrishnan: We have a road map, but I'll share more details once the implementation is done fully.

Kapil Singh: Okay, sir. And sir, second question was just to understand the profile of electric vehicle customers for iQube or maybe generally for the industry as well. Are these existing scooter customers who are moving on to electric vehicles? Are there motorcycle customers also who are looking at electric vehicles as an option? And how is the rural/urban split for EVs versus say, a typical ICE scooter?

K. N. Radhakrishnan: See, initially, when we started the iQube journey, we saw people who are really -- who love innovation, who wants to try something new, that set of customers. But now most of the customers are wanting -- they are otherwise an ICE customer who wants to look at EV as an alternative. They are also seeing progressive improvement in the TCO. They feel that iQube is also like an ICE product, they are able to use it -- like I always believe that customers are agnostic to technology. They want to use it like a normal scooter, two people can travel comfortably, good roads, bad roads, rainy time.

So they are able to see all the benefits in iQube. That is the reason iQube is one of the prominent players in the EV category. And predominantly, this was in urban. Slowly now it is getting into rural. That is a pretty good news. So I'm of the view that in the last few years, it is more and more urban. But slowly now we will start getting into rural -- semi-urban and rural.

Kapil Singh: Sure, sir. May I know what is the -- for your overall portfolio, what is the rural and urban mix?

K. N. Radhakrishnan: Today, it is predominantly urban, because there may be some people who may buying in the cities and they may be taking it to the rural, but predominantly, today -- see, we are currently present in about almost 900 dealers. And I say 900 dealers, they are more on urban and semi-urban, I will put it that way. But the semi-urban guy also buys it and takes it to village, possibilities are there.

Kapil Singh: Understood. And for TVS as a company, when I look at ICE plus electric, what is the rural mix right now?

K. N. Radhakrishnan: I think we are in line with the industry. We are in the line with the industry. Today, for example, I don't want to say EV, okay? Because EV, I've already told you, rural is slowly getting up. If I look at the total two-wheeler this year may be around 50-50. Almost, I can say, 49-51, or 51-49, that is the way, because urban maybe slightly higher to rural. So I can say broadly, it is close to 50-50, and we are also almost similar to that.

Both areas, we are ahead of the industry. Both in urban, both in rural, we are ahead of the industry. But when it comes to EV, predominantly, it is urban and semi-urban. Rural, possibly, it will take another 1.5 years, 2 years to pick up.

- Moderator:** The next question is from the line of Aryn Pirani from JP Morgan.
- Aryn Pirani:** Sir, my first question was on commodity. Are we seeing any signs of any headwinds in the overall commodity basket, especially steel, where there was a safeguard duty imposed. So any thoughts on how should we think about the commodity basket in the coming quarter and the next quarter?
- K. N. Radhakrishnan:** See, commodity, I think there is an increase in Q2. Some of the, like you said, areas like steel, my expectation is about 0.5% -- 0.5% could be the increase. Steel is the predominant one in that and other commodities are small increases are there. We have also taken up small price increases, in Q2 beginning.
- Aryn Pirani:** Understood. So basically, you're saying it should help to offset the upcoming pressure?
- K. N. Radhakrishnan:** Yes. There will be some challenges, but I'm of the view that it's not a huge challenge, and we will always look at some price increases, product mix, cost reduction. We will use the combination to mitigate the same.
- Aryn Pirani:** Understood, sir. And secondly, on the three-wheeler EV, so two-part question. A, are we getting any PLI on the three-wheeler EV? And is there a road map for that? And secondly, compared to the two-wheeler EV, is there a difference in the profitability of the three-wheeler EVs and any path to EBITDA breakeven there?
- K. N. Radhakrishnan:** See, three-wheeler EV PLI, we have -- we will be getting from June onwards. We are end of July. So PLI will come, okay? And like two-wheeler EV, we are also gross margin positive in three-wheeler EV as well. You should always remember that when a new technology comes, it is an investment, okay? And like I always believe in once the customer starts loving, which is practically happening, and the scale at which our three-wheeler EV is growing in the market is amazing. We are very, very happy. So once the customer loves it, the top line goes up, I'm sure every line will come.
- Moderator:** The next question is from the line of Raghunandhan from Nuvama Research.
- Raghunandhan:** Congratulations on great set of numbers. Sir, firstly, on the non-current investments, the TVS Singapore investment is at INR5,100 crores as of March '25. Can you please indicate an approximate breakup into major entities like Norton and other entities?
- K. N. Radhakrishnan:** See, predominantly, it is Norton. See, out of that, almost 40% of that is Norton.
- Raghunandhan:** Got it, sir. And the e-bike company?
- K. N. Radhakrishnan:** E-bike company is next. Other than that, these are all other strategic investments like TVS Digital, Celerity. There are some investments in Killwatt, Zapata, ION Mobility. So I think these are all small, small investments. So put together, the key ones are -- and also -- yes, ION

Mobility. And also the PT TVS Motor Indonesia investments are also from -- past investments are also from Singapore.

- Raghunandhan:** Got it, sir. And investment for FY '26 will again be in the range of INR2,000 crores?
- K. N. Radhakrishnan:** Similar, almost similar. Like I explained, Norton, the products are coming now. The investments behind some more products will be there, plus marketing, brand building activities, we are getting into many countries now. All that will continue.
- Raghunandhan:** Got it, sir. And capex will be around INR1,000 crores?
- K. N. Radhakrishnan:** Capex will be about INR1,600 crores to INR1,700 crores, in that range, INR1,600 crores to INR1,650 crores, because there are many investments behind new products.
- Raghunandhan:** Got it, sir. Got it. And as per the government website, for electric three-wheeler, there seems to be some approval on PLI on May 19 or so. Just trying to understand, would this mean that we have started accruing PLI for 3-wheelers? Or would it start from next quarter?
- K. N. Radhakrishnan:** Next quarter.
- Raghunandhan:** Within employee cost, how much was the ESOP cost? That item should not continue in the coming quarters, right?
- K. N. Radhakrishnan:** ESOP is very small.
- Raghunandhan:** Got it. And lastly, can you share the exports and spares for the quarter?
- K. N. Radhakrishnan:** Just a minute. ESOP, you should take it as a part of appraisal and reward and recognition. So that is something which is -- we want to look at in the future. On spare parts, we have done about INR987 crores in the quarter. And what else you wanted?
- Raghunandhan:** Exports, sir.
- K. N. Radhakrishnan:** Exports about INR2,487 crores.
- Raghunandhan:** Got it, sir. So ESOP is part of the business, I understand, but it will be more lumpy in nature, right? It will not be there in every quarter and possibly it was there in Q1.
- K. N. Radhakrishnan:** Which one?
- K. Gopala Desikan:** The ESOP cost. That spreads over.
- K. N. Radhakrishnan:** ESOP, you should assume that this is a part of the appraisal cost, reward and recognition. I think total employee cost is what you should focus on.
- Raghunandhan:** Got it, sir. And that's a sustainable number, what we saw in Q1?
- K. N. Radhakrishnan:** Yes, yes. See, these are employee costs where -- whatever we are investing, it is going to definitely translate into products and technology and for the top line growth.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Sir, firstly, I want to understand how we are placed in terms of distribution for the electric three-wheeler market in India? And just any sense what kind of dealer network we have in India to take benefit of this demand space?

K. N. Radhakrishnan: See, we are expanding our three-wheeler network. I can -- I don't have the exact number, but I can tell you 70% of the market is covered today with our three-wheeler network. As we grow our three-wheeler business, we will add more network. For the TVS brand with sort of the equity, there is no problem in getting good dealers. But we are also equally -- we are -- we always look at dealer viability, dealer profitability, very, very important as a key parameter. So depending upon the volume, productivity, profitability, it's a very clear planned activity of expanding the network.

Mumuksh Mandlesha: And sir, we would also be available with the required capacity to meet the e-three-wheeler demand, sir?

K. N. Radhakrishnan: Capacity in today's context, it is not a problem because the supply chain is also very fast, and we are able to also -- maximum, maximum, I have seen in my experience, 12 weeks is more than enough for any capacity expansion.

Mumuksh Mandlesha: Got it, sir. And sir, for this year, can you share any outlook for the exports growth for TVS for this year, sir? And just how is the Africa market doing, sir?

K. N. Radhakrishnan: Africa market has started doing well. Like I said, last year, we saw the numbers going down primarily because of many geopolitical challenges, inflation and currency challenges. Now things are becoming a bit stable. Because it has gone to so bottom, now we see only upward trend. We are confident that we will do much better because our customer retails in these markets are doing well. So we will continue to grow ahead of the industry.

Moderator: The next question is from the line of Viraj from SIMPL.

Viraj: Just a couple of questions. First is on the investment. So what we talked about an annual run rate of around INR2,000-odd crores. Now if we look at our plans with Norton, where we're starting out with the first set of 3 products, and we would, over a period of time, look to further expand the portfolio. And similarly, in the annual report, we talked about turning around the e-bike ventures with new product plans there as well.

So would it be right to think that the run rate of around INR2,000 crores to INR2,200 crores will sustain for next 3 to 5 years? And if you can just give some more breakup -- a big picture breakup in terms of how is that allocated towards various business segments because we also have digital initiatives as well. So that is one.

Second is -- if you can also give some more color on how do we plan to turn around the e-bike entities, both SEMG and EGO and a few others? Because right now, I think the investment is

largely going towards just sustaining the operating losses we have in those entities. Correct me on that. So that's second.

And third is any thoughts, any update you can give? We had earlier plans to monetize or at least bring to IPO, TVS Credit Services, but we don't talk about it anymore. So any thoughts? And last is on TVS Supply chain. If you look at the last 3 -- 2 to 3 years, we've grown our stake from sub 1% or 2% to now almost 5.5%. And with this investment, you will go 6% to 7% holding in that entity. So how does it relate to the core business which we do? And what is the thought process there?

K. N. Radhakrishnan: See, on Norton, products requires investments and whatever we have invested are now likely to yield result with the products which are getting ready by Q3 and Q4. Like I said, we will have products which will be ready. And next summer, you will see them selling both in India as well as -- India, maybe much earlier and in the European markets. We are putting the very clear strategy of coming up with the region-wise strategy on marketing.

And that is -- that kind of investment is likely to continue because we need some more products. In terms of the e-bikes, we are also coming up with some innovation in the product side. I'm very sure the market will recover and the top line -- once the top line slowly starts recovering, the rest of the lines will start improving because last year, we have consolidated all the e-bike companies to one, and we have looked at the organization also to combine into one so that there is overall productivity improvement, also the synergy in terms of the fixed cost.

So overall, EV bikes, going forward, we are pretty confident that as we see recovery in the top line, you will see the breakeven and the profits. And the TVS CS, basically, you want to highlight?

K. Gopala Desikan: Yes, TVS Credit Services, I think the book size is around INR27,000 crores now, INR26,898 crores to be precise. And as far as the question is all about IPO, not yet even discussed at the Board level. As and when we decide and definitely, we will let you know, please.

K. N. Radhakrishnan: But this is an investment which is doing extremely well, and it is also well run. So -- and ROTA is steadily going up. So we are pretty confident about TVS Credit shaping up to a great company.

Viraj: So that annual investment of INR2,000 crores to INR2,200 crores, that includes support to TVS Credit Services?

K. N. Radhakrishnan: I may not be able to give you 3 to 5 years' time because as the top line grows, as we present in many of the markets, there may be a requirement for additional investments. But I can tell you INR2,000 crores for this year, it will be there. Next year, possibly during the next quarter or quarter after that because when we look at the next year plans, that is the time we decide what kind of investments are required, what technology, what products, which country we want to enter. Like that, we will be preparing the plan. As of now, this year, it will be INR2,000 crores on the investment side.

Viraj: And on TVS supply chain, sir?

- K. N. Radhakrishnan:** TVS supply chain, I already answered.
- Viraj:** Sorry, I missed that. If you can repeat that.
- K. N. Radhakrishnan:** It's not a strategic investment. It's an investment what we are making like any other investment.
- Moderator:** The next question is from the line of Abhinav Ganeshan from SBI Pension Funds.
- Abhinav Ganeshan:** Congratulations on a great set of numbers despite the challenges on the EV front. Only one question from my side is, how are we seeing the supply chain for us on the rare earth magnets? And if you can give some more color? And do you see that our EV numbers will come back because month-on-month, last month, we had a dramatic fall. So if you can give some more color on that?
- K. N. Radhakrishnan:** See, short term, we are managing with the stocks what we have. We also resized some higher-sized magnets, which are locally available. We are also exploring some alternate strategies in the short term, okay? And like I said, currently, we are managing the daily production. We are just able to manage like that.
- But if you look at on a medium- and a long-term basis, we are working on HRE-free, ferrite-based, magnet-free, and we are also looking at alternate countries. And definitely, we'll be also working partnering with some of them in India. So this is going to be -- we have to build forward a more resilient company and a country on magnets.
- Moderator:** The next question is from the line of Rahul Kumar from Vaikarya.
- Rahul Kumar:** Sir, just on EV again, at what stage are we in terms of diversifying our supply chain for EV powertrain components?
- K. N. Radhakrishnan:** I just now answered.
- Rahul Kumar:** No. I mean, in terms of...
- K. N. Radhakrishnan:** The developments are going on. I may not be able to tell you exact timing, okay? But we are managing, on a daily basis, the production with some local purchases, local stocks, what we have. We are also coming up with some alternate strategies.
- But medium term and long term, definitely, we will have solutions on HRE-free magnets and ferrite-based magnets, we are also looking at magnet-free. So, we will look at many countries also for sourcing. So it's a combination of many, many actions which are going on.
- Rahul Kumar:** Okay. Okay. And I think you mentioned, but just on e-bikes also, what are your plans? When do you plan to launch the bikes in India for the more of mass and affluent category?
- K. N. Radhakrishnan:** We will come back to you. We are working out the strategy, including the positioning, what type of network, product, what is the strategy for introducing in India. Once we are closer to overall implementation plan, I'll let you know more details.

- Rahul Kumar:** Okay. But do we expect this fiscal or, let's say, sometime next fiscal for the launch?
- K. N. Radhakrishnan:** Come back to you. I'll come back to you. Definitely, I'll come back to you just before the launch. We take the last question, please.
- Moderator:** The last question is from the line of Pramod Kumar from UBS Securities.
- Pramod Kumar:** Sir, my question was on the EV profitability. I know you kind of -- this question has been asked before. But you had shared last year that you are targeting like to achieve breakeven in the next 2 years. So given the way the battery prices have moved, and the pricing has moved for the industry and the competition in the industry, just want to understand your thoughts. Are we still on track on achieving the breakeven there?
- K. N. Radhakrishnan:** Pramod, first, one clarification. I have not spoken anything about breakeven. I already said we are positive on gross margin. In any business, when you start first is to make sure that the gross margin is positive. That both in the two-wheeler and three-wheeler, we are positive, number one. Number two, we are extremely happy.
- The customers are delighted about our products, and the top line is growing. We have some short-term setbacks in terms of magnet availability. But I'm very sure we will become more resilient with many other alternatives going forward, okay, number two.
- Number three, whatever investments we are making in whether it is software, whether it is electronics, whether it is digital. While we are making all these investments in electric, I'm very sure these are all applicable for the super-premium, premium and even scooters.
- Because going forward, the digitization is going to be the key because customers will look for many of the elements, whatever we are investing in software and digital. So the people-related cost, what is invested behind electric and electric technology, it is going to help the entire product range of TVS.
- So it's going to be overall -- going forward, this is going to help. That is exactly the reason I always look at the total overall whether the top line is growing faster than the industry, whether EBITDA is growing as a business -- total business, are we going ahead?
- And which according to, we have done extremely well, INR10,000 crores -- INR10,081 crores for this quarter and operating EBITDA consistently growing quarter after quarter, while we invest behind new technologies in two-wheeler EV, three-wheeler EV. So overall, that is the way we look at...
- Pramod Kumar:** Fair enough. Sir, I understand. I'm just looking at the fact if we kind of reduce the under recoveries there, then the overall profitability of the company will start looking much better. So that was the whole idea. And sir, on the scooter side, we have seen that -- what do you say, the maxi scooter segment is taking off in a very nice way.
- Currently, it's kind of catered to by practically one player. But any thoughts on the further sub-segmentation of the scooter market within a particularly narrow CC band. So, what are your

thoughts there? And given your experience in other markets, so is there an opportunity there for you to tap into these subsegments within the scooter segment, sir?

K. N. Radhakrishnan:

See, we always look at the customer. I appreciate we also look at competition. But please understand we have a very structured program on our product plan. And we look at which are the product plans, which are the products, at what quarter, where we need to launch. We have a very systematic process in the company, and we want to continue to focus on the customer.

And I look at always with lots of deep respect with every competitor because each competitor has their own strategy. We have to respect them because that is why the customer gets the best. So, we look at in totality and we look at what are the phases. And based on the product plan strategy, we come up with the model.

So, before I close, I just wanted to thank everyone, and I'm extremely happy that we have started this financial year with a great quarter. Thanks to our customers, thanks to everyone, we have done INR10,081 crores of operating revenue. Our unwavering focus on customers' quality, we are very confident that we will continue to grow ahead of the industry, both in domestic ICE and EV, including three-wheeler. Company will continue to leverage scale benefits with focused premiumization, sustained material cost reduction.

And we have been consistently growing on our EBITDA, and that journey will continue. And we have excellent product, excellent product range, and we will leverage its growth, better product mix. And I'm very confident that we will get into the season with very good numbers. Thank you. Thank you for your time and continued trust on the company. Goodbye. Thank you.

Moderator:

Thank you, sir. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.