

**MANAGEMENT:**        **Mr. K N Radhakrishnan, CEO**  
                                 **Mr. K Gopala Desikan, CFO**

**Investor:**                TVS has been very successful in each of the new categories, whether it is motorcycle. You gain market share, across in fact probably I would say, you have been one of the best auto companies in the last five, seven years, you have gained market share in three wheelers, in motorcycles, in scooters, or even with electric vehicles. So is that...

**Management (K N Radhakrishnan/K Gopala Desikan):** So that's primarily because of two things one, my existing customers are very happy with me because the leakage doesn't happen. I have to make sure that my existing customers stay with me, there I have to make sure that my service, my availability, the way I treat them is very good. On top of it, those people who are not considering me keeps coming that's where you get your market share gets added. For that, you need interventions on products and technology and features and things like that. Both you have to do it in a balanced way.

**Investor:**                So, far better product introductions that product development skills and understanding the consumer. Am I hitting right two points?

**Management (K N Radhakrishnan/K Gopala Desikan):** Absolutely. This side your existing customers keep delighting them, bring the segments where you are not there, bring new products and new set of customers that helps you in gaining the market share, growing the business head of the industry, but that is fundamental. The top line doesn't grow, there is no line. And that is the way also if you look at the stakeholders other than the customers, dealers, distributors, they want a better and better volume, correct. Suppliers want better and better quality, company wants better and better quality.

So this is something across the entire supply chain depends upon volume. Once you have volume, then the next question of okay, how do you optimize the cost? What are the things we can look at commonization, what all things you can look at leveraging the sourcing, including optimizing the marketing cost, can we go certain brands on digital, certain brands look at which are the target segments? All these opportunities are there, that is exactly what we have done.

**Investor:**                So, more power to you, but sir, just to understand this, you said talked about feeding the supply chain. So as your volumes, because see

you're making investments, but more than probably your investments higher, suppliers investments, am I correct?

**Management (K N Radhakrishnan/K Gopala Desikan):** Absolutely, absolutely, absolutely.

**Investor:** And these are ancillarized business, right. From hundreds of parts coming from, so the more scale you have, the more scale they have, right and therefore your economies of scale becomes better with greater scale because and sometimes we wonder your margins are 10% relative to the others. Is it a factor of your investments relative to others, are you more ancillarized, your gross got to sales.

**Management (K N Radhakrishnan/K Gopala Desikan):** I won't say that because...

**Investor:** Are you less integrated than some of the others? That's why your margins are there?

**Management (K N Radhakrishnan/K Gopala Desikan):** See I don't want to comment about others, okay because some people I know where you're coming from. Some people the depreciation is quarterly half of ours okay. Let me put in this way.

**Management (K N Radhakrishnan/K Gopala Desikan):** Sir that answers his question, we are investing. That's why the position is also high.

**Investor:** Sure.

**Management (K N Radhakrishnan/K Gopala Desikan):** See there are many people here, India has got possibly two seasons or three seasons, New Year, many of the areas there is a April, May marriage season, then of course, Diwali season, Pooja season. When you get into any buy what do you look for, something new right, something new, something exciting, okay. So, if you're going to be a customer oriented company, we have to do that, you can also keep flogging your existing brands and say this is what I will give because my managing point is going to be depreciation. And you can look at even maximizing your return to the bottom.

**Investor:** I was drawing to that.

**Management (K N Radhakrishnan/K Gopala Desikan):** I'll finish it.

**Investor:** My apologies, my apologies.

**Management (K N Radhakrishnan/K Gopala Desikan):** But in that process, what are you compromising, you may be compromising your market share. You may be compromising your overall volume, but you may get better and better return on investment or EBITDA in the bottom line. How long, we are a firm believer that there has to be win, win, win, win there with the customer, with the stakeholders and I say stakeholders more EV it is going to be partners, who are going to partner with you on charging or any other infrastructure. Okay, or on this side it is going to be consumers through distributors or dealers. Okay, in international markets, maybe distributors, here some partners on supply chain. It is not the content what do you make in house or outside. That is a pure, pure, make and buy or make or buy decision. It can influence a little bit of whatever you've talked about. But the basic, basic issue is volume top line.

**Investor:** Because of the flow through of economies of scale.

**Management (K N Radhakrishnan/K Gopala Desikan):** Beyond the point if the top line is not good, you buy everything from outside also, the EBITDA will not be there. I promise you that. So getting the product where the customer have been delighted and going ahead of the industry is going to take and that's exactly what has happened to us. You know how we were at the EBITDA.

**Investor:** Absolutely.

**Management (K N Radhakrishnan/K Gopala Desikan):** Five years back, many of you have asked me it's only products where you are not getting market, why you are lagging behind. Now you yourself is confirming back to me that you are growing in all segments. The growth is there because customers love you. Customers see a lot of new things from you, new technology from you, correct. So, that is okay, customer satisfaction is okay. And you have seen the JD Power results. Now if you look at into the last possibly four quarters, six quarters, lot of headwinds. But we are at 10%. Now, the next question is 10%, good enough? Okay, when you look at competition, others absolutely questions are very, very valid. But the choice of the strategy is number one customer never compromise.

Number two, the entire end-to-end. Number three, I'm pretty confident that in this journey, you will see better and better EBITDA going forward, because that is a process. When the distributors, dealers, and

the company and everybody's happy, the first thing all your costs will get amortized over a higher volume, which you agree, correct?

**Investor:** Yeah.

**Management (K N Radhakrishnan/K Gopala Desikan):** Then when you have say some brand doing 25,000, 30,000, 40,000 I can start looking at hey, you are a supplier, I gave you this capacity. Can I have one more, when one more comes automatically you know what happens?

**Investor:** Volume goes high.

**Management (K N Radhakrishnan/K Gopala Desikan):** No, no, no. There will be some competition. There'll be some stretch this guy will say, okay, I'll give you at this 2% lesser, 3% lesser. But this lesser, how much lesser, what stretch? I think there is a good way of looking at because we don't want to compromise on the quality. And we took very good effort in looking at import content, how do we bring it down? How do we encourage many of the Indian suppliers, we used to have 20%, 25% -- 24% now it has come to 7% import. And some of the Chinese suppliers, I think we made them make plant here, alloy wheel for example, nobody was there in India, we brought one of the suppliers to establish facility here.

Now only many of the Indians suppliers have started. So it is possible through partnership, many things but it requires time. It won't happen quarter-on-quarter, I can promise you. But we are not looking at.

**Investor:** We are also gorging the future with a three to five year view.

**Management (K N Radhakrishnan/K Gopala Desikan):** Three to five years I promise you, you will see we will continue to grow on the top line market share, costs will come down, EBITDA will move up. Systematic...

**Investor:** Slow and steady margins.

**Management (K N Radhakrishnan/K Gopala Desikan):** Right, if EBITDA has to move up, you have to have.

**Investor:** I thought in line with these sales or maybe as far as higher than that?

**Management (K N Radhakrishnan/K Gopala Desikan):** I am not so much worried about mathematically in the PowerPoint, everything works. I think what you have to look at is not compromising on an investment for future,

technology, brands, countries, marketing efforts because that is going to be the propeller of future growth.

**Investor:** And your huge investment which is sitting on the balance sheet, you're done over a period of time which is not paid out yet, is it right to pay to assume so?

**Management (K N Radhakrishnan/K Gopala Desikan):** Let me put a little bit of okay, four years back, five years back the same questions we had on PT TVS, credit service, why you have invested? I don't think anybody know if you have got any questions, correct. One of the best managed retail financing companies is TVS Credit today and he can.

**Management (K N Radhakrishnan/K Gopala Desikan):** And book size is growing -- it across ₹60,000 crores now. And all capital adequacy is everything, collections very good. I have not provided for the last four months or year. To that extent it is robust.

**Management (K N Radhakrishnan/K Gopala Desikan):** And it started with only TVS Motor, 100% two wheelers.

**Management (K N Radhakrishnan/K Gopala Desikan):** Now it's only 20% of the overall business, 20% to 25%, 75% comes from other sectors, so it's fairly a well run business.

**Management (K N Radhakrishnan/K Gopala Desikan):** PT TVS, we started off, we have our own facility there, plant almost 40 experts, now just two experts, local people, we used to export 1,000 vehicles, you know 10,000 per month, three wheelers 2,000 per month, huge opportunity to grow.

**Investor:** What are the gaps in the export market now, no one has got better experience apart from you and by the other export market. So what are the gap left now?

**Management (K N Radhakrishnan/K Gopala Desikan):** Export markets plenty of opportunity, plenty, because the size 65 million last year the number, but don't look at last year. Two wheelers are predominantly the kind of, these are all developed -- developing markets, which we now talk about developed markets, in the developing markets if you look at it, similar challenges we have seen in our rural, you travel across Africa, LATAM, Middle East and you come to urban area you will see Indian we got a rural and rural and rural huge opportunity and with education level going and planning the government's involvement in public

infrastructure and help of public transport, I think this 60 million has got huge opportunity to grow, number one.

Number two, we always used to have a big challenge of Chinese competition, 30% lower prices, 40% lower prices and we went people used to tell me. I think that concept of total cost of ownership it required some articulation, okay it maybe \$500 it maybe \$300 today, but this \$500 means this durability will be lifecycle will be so much. And net-net you're going to say it some people believe some people don't, but today I don't have to educate that whether it is TVS or Bajaj people say that is far superior bike.

So, to me sky's the limit. We should not compromise on durability, quality and what TVS specially did is service. See what happens typically in a two wheeler the first service is after 1,000 kilometers, India after one month which people normally use 30 kilometers per day there they use 200 kilometers per day because they don't -- they use it full time. 200 kilometers how many days are for first service. We make sure that we send the spare parts first and we train all the service people there much before though he himself he said.

So, after one week, two weeks if you don't have funds, then what will they do? You have certain comfort of anybody who has got a car or two wheeler you are asked to take a public transport you look at their pain especially in the morning that five minutes the flexibility views okay. I've seen, people will get restless. Five minutes you have and in Indian context especially Bangalore context I can tell you anybody wants they will take only three wheeler or two wheeler or everywhere it is jump, it is not the distance. So, every aspect of the consumer when you look at it, I don't think there is any full potential if you ask me huge, huge.

Challenges again some countries there will be having some Forex problem.

**Investor:** But now the tailwind is there at least from the oil prices and...?

**Management (K N Radhakrishnan/K Gopala Desikan):** Look, the oil prices also will be stable. See I always look at it this way. Some markets will go up, some markets will come down. For example, Sri Lanka is one of our best markets.

**Management (K N Radhakrishnan/K Gopala Desikan):** Iran used to be best.

**Management (K N Radhakrishnan/K Gopala Desikan):** Iran used to. I can give you a list after list. Myanmar used to be best. Three markets are not there, but still we are doing more than 100,000 and before you joined I think we have no Protrader, easily I can sell 10,000. I can take you to the next level, because consumers are there. Just thinking out this is brilliant. Product is good. This connects with me and talk. So the product creation gives you that advantage. Okay, existing customers -- see you have to -- it's like two eyes, you take care of the existing customers work with them closely on their total cost of ownership, service, parts, genuine availability, oil everything, on the other side create the new, new segments it varies, okay.

And it's not that every country will require the same product. Sometimes you have to India itself somebody starts a breakfast with sweat right. I can tell you a typical example of color. Kerala ones only black color.

**Management (K N Radhakrishnan/K Gopala Desikan):** West Bengal needs red.

**Management (K N Radhakrishnan/K Gopala Desikan):** And West Bengal wants only red color. If I mix match, I have a problem. So why go to any country I think India has got the best experience of which model, which color, which combination sells in which state. Brilliant. The same principle you have to use in international market whether you go to -- it's not Africa, it is Nigeria separate, Kenya separate, Uganda separate, Ethiopia separate. I can spent, I don't know how many hours on that. What is the difference nuances between the customer usage? So I always tell the people put the customer at the center, don't worry. And sometimes it makes you negative margin. Don't worry, the customer is happy he will make it positive.

Life after life, brand after brand we have seen that. When you tell them, hey, I'm going to increase rate no problem sir. Absolutely no.

**Investor:** Sir, usually in the export market, there's a six seven year of experience. Then you have a nonlinear significant tailwind which comes in, because people have gone through that one cycle. [Hindi Language] [0:20:54] something is...?

**Management (K N Radhakrishnan/K Gopala Desikan):** You have to stick -- see your point -- I'm not able to say that five, six years, but whatever maybe the timeframe you have to be there for example, if I put a dealership or a sub dealership people -- customer should say that TVS dealership

yeah, go there, they will take care that familiarity, that consistency, the same mechanic interacting that makes a huge difference.

**Investor:** So what is the usual duration?

**Management (K N Radhakrishnan/K Gopala Desikan):** That's why I said I don't want to come to a mathematical solution to that. Some countries take minimum, minimum two years. Some countries three years. Some countries you have to have that blind faith. The tipping point what you said is absolutely right.

**Investor:** I was coming to that only. Is it TVS on the tipping point now for a...?

**Management (K N Radhakrishnan/K Gopala Desikan):** Every month we are on a tipping point. Yeah. I'm not saying. Yeah, and we believe in.

**Investor:** Well, I sense it I thought maybe you will also endorse it.

**Management (K N Radhakrishnan/K Gopala Desikan):** We -- I am a firm believer even when Vagan came five years back, three years back many people ask me again Don't you think that you're making a wrong mistake of putting no pressure on your dealers, look at your competition they give eight week stock, 10 week stocks. Why you people are insisting only four week stock? To a large extent they are right, because my dealers are very, very smart, okay, because they make extra money they put in some other business. But again if I use my consumer mind when I go to the restaurant and I want crispy dosa, I want to crispy vada, if somebody tells me yesterday's got up sorry -- they will keep today's vada, but morning vada, it's not hot. The sambar is not hot. Chutney I don't know when you have made, if that is my behavior. Ideally, I should be able to give zero kilometer to every customer.

In fact I'm telling my team south they should be able to get into today's time, why they should keep stop. Put an over model, in the over model we have to make sure that no retails are lost. You come it's not there. That's not correct. So you decide what is the color, model, combination and ultimate the dealer owner has to make, this was the concept thinking when we said we are not going to give credit. When we gave credit, what happened, our company fellows are also challenging us, if somebody wants -- somebody puts ₹2 Crores, we put wanted and unwanted in the same truck and sent it, because number is most important. For the warehouse guys, he is managing by number achievement, then the dealer will call and say no, no, no, no you've send me this and that this will never move all that, but overall



perspective some dealers are also challenged they don't keep the stock okay. They want only whatever is selling cars. Ryder only they want they want only this that's also there.

But I always tell my team, I fight with you, you fight with me and argue on that. Negative into negative I don't know mathematics it is positive, business it is not positive, life also it is not positive. Negative into negative is big negative. Correct. The moment we came out of this credit, he was very happy.

**Investor:** Thought a lot of discipline.

**Management (K N Radhakrishnan/K Gopala Desikan):** Okay. It brought lots and lots of discipline, okay. Dealers have to plan -- dealers have to plan for the next two three months retail for example, I'm telling them I'm not going to allow you to keep more than 30 days stock. The season is going to be -- you better put a prognosis, what models you want. And every week you please interact with the people, okay. And the moment you cut down that please look at the supply chain effect. The whip effect, what I have seen is my tire too will have maximum strong. This is not theory. I'm a practitioner and I never knew that Vagan is not going to come now. Vagan has come now, all of you know daily what is happening, correct? I don't think anybody is now looking at billing data, correct?

Vagan share gain is there or not, I love it. Ultimately customer retail is only thing which is important. It is not what how much you build to that dealer that is not sustainable model. So, very happy same principle we use in the international market also. So, you -- if you say, this is my prognosis. This is the way I want to run the business in terms of customer. These are the color models I'm going to do, fine. We will plan and we will send. Our role is to create what the Jupiter customer wants next? What the entire customer wants next? What Apache wants next, okay? And what kind of new introduction like Ronin we can look at? What opportunities we can seize from the market and patiently stay.

Today the test cricket is not there, okay. The most important thing we learned from test cricket is you have fast bowlers, you have some weather conditions, but you stay calm. you preserve your wicket, then you start hitting, right. This element of patience is something you have to culture bring it to the mindset of people, stay calm. That's exactly what we have done it in Indonesia. That's exactly what we are doing it in EV. EV is a new technology, I completely agree. Company need to

assume that okay, things will change by 100% 2020. Is it going to really happen? I don't know. It is with the customer.

**Investor:** Are you skeptical of it?

**Management (K N Radhakrishnan/K Gopala Desikan):** I'm not skeptical. I look at directions. I'm yet to see somebody putting a PowerPoint presentation. And this is my plan. And I surpass to play that do -- that will be multiple success factors. But if your trajectory is right, you're going in the right direction, fine. You will reach there.

**Investor:** So you made an interesting point that you will always focused on what the Jupiter customer wants next for an entire customer wants next? But eventually everybody will know actually your customers will want to upgrade to a four wheel. That is a structural issue. Maybe that some people are now focused on maybe in the two wheeler industry with the higher penetration now in the domestic market. How do you think this whole dynamic plays out over the next five, 10 years?

**Management (K N Radhakrishnan/K Gopala Desikan):** 10 years back, I don't know when was Nano launched?

**Management (K N Radhakrishnan/K Gopala Desikan):** 2003 -- 2002 or 2003.

**Management (K N Radhakrishnan/K Gopala Desikan):** Also much more, much more. One of the biggest question was nano customers are going to move from two years. My prediction was nano success two wheeler will go up. Even now I'm telling you more cars we sell we will sell more Jupiter's. Every car family has got one or two, two wheelers. They use it differently. Stay with the customer. It's not a great theory. I'm talking with. When I -- at my level I spend time with daily lives of customers, I go there. I get the pre appointment with them from breakfast I stay with them. What all things they look at? What all things they do? With the zero pressure saying that I'm coming from a two wheeler company. I'm a Director and CEO, I know everything. I don't know anything. And I keep some young people also who just doesn't know about two wheeler. Keep observing them. So, they have breakfast then they use the car, then somebody in their family uses the two wheeler, somebody asked why do you want the two wheeler? Why do you want a car? What purposes?

And we very clearly articulate what is the purpose of a car, what is the purpose of a two wheeler. If there are two, two wheelers they have a purpose because when we spend our own money, we may not

calculate the way you calculate return on investment, but we are very prudent that something has to be utilized fully. Certain purposes I use it, certain purposes I use certain modes. So the more cars India sells more two wheelers India sells.

**Investor:** I have few questions on EV, now this is what EV game is based on the subsidy by the government. If I'm right or wrong maybe you can say so, if the subsidy goes down or maybe some change in the subsidy happens and this EV fizzle out or maybe we'll have a Costco which EV meet the this will go on its own?

**Management (K N Radhakrishnan/K Gopala Desikan):** My analogy, I can start with exports, what was the subsidy coming in exports. I don't remember the numbers?

**Investor:** I just see 50.

**Management (K N Radhakrishnan/K Gopala Desikan):** How much is today?

**Investor:** Zero.

**Management (K N Radhakrishnan/K Gopala Desikan):** What has happened in exports?

**Investor:** Zoom ballooned.

**Management (K N Radhakrishnan/K Gopala Desikan):** Same analogy, one good thing all of us whether it is software industry, whether it is two wheeler industry, there is a learning curve. When we came up with our iQube, I think we started seven years back, iQube development. I think it was costly, it was expensive, it was negative margin, but I can tell you today's it is positive margins.

That is the learning curve, okay, the learning curve comes through optimum design, initially people don't look at optimum design, company like ours we look at customer zero issue. So my engineer will say, over durability, over reliability, over design, okay because honestly, you don't know. So, you err on and if something on the customer side, we never compromise. I was sharing him even if I make huge losses, I don't care about it, customer should smile.

If the customer smile is not there, there is no future for anybody, for anybody, once customers consumers smiles even then you have, then you look at next version, look at what all things I can optimize without

compromising the customer requirements, then you partner with some of the technology partners and there are intelligent people globally.

And then you work with your suppliers, they are also very intelligent, there are some suppliers who are outstanding, work with them and look at okay this can be optimized, this can be optimized, weight can be optimized, okay certain parameters can be optimized, certain choice of subsystems can be optimized, that is level two.

Then you get the cost down to an extent, but most importantly, you have to keep increasing your demand curve much, much higher. The demand is not growing then anyone in a two by two or a three by three, people will look at high volume, then I will put all the effort in technology, in cost, in supply chain.

So, the most and the most important thing is create your demand ahead of supplies, always in new technology also existing technologies, if you keep it, then there will be huge energy saving that yes, let's work on that. Let us work on the sub-systems and if there are six months of paying, but use that as an investment for future.

So I'm pretty confident that when we look at the Version 4 of iQube, that is pretty better, both from the point of view of the customer delight, okay I can give you one analogy that is not an EV. This is real, you can check in our showroom, we have Jupiter, because all of you will be familiar with Jupiter. We went with the basic version, okay without competition. Then we said anyway, you know you have to give some delight for marriage season, for New Year season.

And then we said, somebody said, why don't we do a limited edition. So we give a limited, first limited edition that was where we got Amitabh Bachchan, you remember first, first [Hindi Language] [0:34:01] then we found that the consumers love it, actually we estimated wrong, let me put it that way.

During that season, everybody wanted only that, priced higher, featured higher, better profitability for the company, better margin for the dealer. But we said that may not be enough people. But if you look at today, the learning gave a saying that consumers want premium and premium. Today more than 50% of my Jupiter sales is coming from ZX version, Grande version, Classic version which are priced much higher, valued much higher.

And the moment you put the retail finance on that, people say that yes, ₹100, ₹150 per month doesn't matter. I want only that. But people have to first come for Jupiter, into your showroom or into your online, if they don't even consider that, there is no business case. Once they consider that, they say oh so many versions are there and so many features are there, all wonderful. But today, the aspirational level including rural area what I find is consumers want something really fantastic. My Moped customer first he comes around RR310 of course he buys only moped.

Okay, this is something fantastic. This if you want to understand, go and stand in the dealership and to closely look at it, he will come, he will go first to RR, three rounds, four rounds, he will go to Jupiter 125 two rounds and read, then you ask him, no, no I was looking for my son and daughter, he doesn't want his son and daughter to buy Moped.

You stand for two hours in the peak this one and keep observing one or two people, we don't look at this guy, that guy.

**Investor:**

But sir, I mean the industry in the last few years have seen a massive cost increase, two wheeler is of course there, substitute for public transportation in a way. And so the category of customers that we are catering to is definitely impacted by the high cost of transition six, whatever you call it, whatever has happened, maybe 20%, 40% increase that has taken place, steel price hikes. So that has made some affordability challenges for your pyramid of consumers, right. Are those affordability challenges done?

And I think in your conference call, you did mentioned that you're expecting some double-digit growth rates to come in terms of volume, because the volume, the number has now significantly come down from where it was in 2019.

**Management (K N Radhakrishnan/K Gopala Desikan):** I think your observations are very valid. First I will talk about that and I'll get back to what is my prognosis about the industry. So, why do I say that? This is just a repetition, all of you know that BS3 to BS4, then GST, this one is 20%, this is 18%, for a Moped 28% you decide whether it is right decision, okay. Then insurance, third-party insurance, cars it is two years, this is five years, then BS6, then all safety norms including such a daylight, we have all headlights on, nobody's questioning whether it is required or not.

If India has to get into the global market, it is required. What has happened is and on top of it, this lockdowns, in the last 36 months we have really done a half step and jump in terms of regulations, tightening the safety norms, tightening the insurance policies which otherwise used to take 20 years, good for the industry, very good for the industry. No issue. But on top of it, you had almost 20 months of lockdown or fear of lockdown. Okay, but good news, I don't have Apache stock in any dealership, is it the market? I don't have Raider stock in any of the dealerships. Any premium, no stock. All of you are rich, double rich.

Sorry to use that word, okay, richer than pre-COVID levels. So who has got maximum hurt? The lower level, people talk about Moped, I always ask them Moped customer is poor. Yes, minus 38% CAGR I agree, look at HF, look at Platina and CT100, minus 55%, so I'm better off because that is a relative kind of a positioning, Moped customers still something he is able to get and buy.

**Investor:** There is a feeling that there is structural decline in Moped, but you disagree?

**Management (K N Radhakrishnan/K Gopala Desikan):** I disagree. I disagree because I go by the usage, you still have milk in the morning, you have vegetables in the morning, you see more people now smaller groups delivering at home, who brings that. Daily we sell 1000 mopeds, can any one of you believe.

**Investor:** But can you be candid like the electric?

**Management (K N Radhakrishnan/K Gopala Desikan):** He will also give electric Mopeds.

**Management (K N Radhakrishnan/K Gopala Desikan):** See technology, we are talking about customer use, tomorrow it can be ethanol, it can be electric, it can be CNG, it can be any fuel, we are talking about the usage. Okay, tomorrow onwards if all of us are going to say that I'm not going to have Dhal in the morning and vegetable or I'm not going to drink coffee in the morning, then the customer usages are going to be different. I know paper, I don't know how many people read the newspaper now. But there are people who want to read A to Z, but there are many people who have gone to digital, okay, so I'm of the view that we have to track the customer usage not the technology. And total cost of ownership, whichever total cost.

**Investor:** That is the point right, if EV can it replace the cost of ownership?

**Management (K N Radhakrishnan/K Gopala Desikan):** 100% sir, see EV or any technology will replace, we moved from two stroke to four stroke, four stroke BS3, BS1, BS2 to BS6. Now electric start, I think technology requires deep investments. What is the strength of TVS, we believe in design and development.

**Investor:** All right, no question.

**Management (K N Radhakrishnan/K Gopala Desikan):** Okay, if you believe in design and development, and if you have -- have the patience and focus on the customer, I think things will work out.

**Investor:** So one observation I had, I don't know how rudimentary it was, that now with your electric vehicle, you give it to your dealer, he has no servicing income in that, so what is the incentive for him to sell, where he will have one-time sale, no service income where he makes a lot of money on the over a period of time on the service income.

So there can be two outcomes in this, one that the Ola's of the world will have a difficult times because you can subsidize your dealer with 50% of your portfolio which is what service income and someone else doesn't have a service income, so at least he has incentive to sell and you will have a right to win or maybe they will some zigzag in the market. So how do should I read this electric story at least from the dealer point of view?

**Management (K N Radhakrishnan/K Gopala Desikan):** See dealer point of view, it will be, there will be structural changes with respect to how the distribution is likely to happen.

**Investor:** In EV or totally?

**Management (K N Radhakrishnan/K Gopala Desikan):** In my opinion totally. Because this pandemic has taught us quite a lot of new development from the new generation. Okay, I've seen in my house, everything is online, okay. My daughters want everything online, this is their business partner. Right, wrong, I don't know. But reject also the speed at which they buy, the same speed they reject, okay. Is that going to be the consumer behavior of India going forward?

That is what we need to study, it is not the distribution channel we have to study. This is going to be the behavior of the consumer, everything is going to be online. I think we have to ATMs for example

or online transactions. I think the role of each one of us, there is a role for the products, after the product, how the consumer behaviors are going to change, is this going to change across India. Is it going to change only in certain age groups or age profiles? Is it going to be different between men and women?

Is it going to be completely different in a semi-urban and urban situation and a rural situation? This is something you have to constantly, constantly keep looking at it. A simple thing I'll tell you, we put in iQube as a responsible father, mother because most of you are, will be having your children. Looking at the profile here, we put that you can also look at from the app home, youngsters said why, why should my people at home know, we put the geofencing, why geofencing, we are also learning, but some people very good, we want geofencing, we want this tracking, we want safety and security. So now we are looking at an app where you can authorize father, son, mother, you can authorize whether you need it or not. So this moments and you asked about the spare parts income. Many, many kinds of opportunities are there. You can give a break, for example, my existing customers I can give features OTA I can give and I can charge software feature. Many, many things see.

**Investor:** That many goes to you not to the -- I thought about it.

**Management (K N Radhakrishnan/K Gopala Desikan):** No, no, no, no. See what happens in anything we lose will not work sir. If you want a partner, okay, you can say I take 100 and you take zero it will not work. It can work I take 100 even you take one or 98 and two with mutual understanding based on the racing model, what you bring in, what I bring in, all these are going to grab. If it is going to be 100 zero, it will not last for more than one day, I promise you. But equally, the infrastructure is going to be different.

When we started we talked about certain fascia, front fascia, rear fascia so many people, so I'm of the view everybody will look at the TCO model, right. Everybody will look at subscription model, okay. Everybody will look at okay, what is the regular income I'm going to come, okay. If I'm for example, let's say I'm going to deal with 200 EV customers. I'm a dealer, I'm an authorized service person. There has to be somebody servicer, you cannot have zero service in electric, anything mobile.

It is not like a refrigerator or a fridge at home. Whether it is a car, anything mobile anything there is a mechanical device, you cannot



have a -- you cannot have without wheels and chassis and all this okay, brake systems and things like that. There is wear and tear. Some adjustments will be there, okay. There definitely they have to call somebody comes in. So there has to be some kind of a remuneration for the specialty and things like that. You can decide whether 10 people will be there, 15 people will be there or it will be on AMC basis. Some method will be there sir.

**Investor:** Sir which is your experience today also?

**Management (K N Radhakrishnan/K Gopala Desikan):** And tomorrow for example, we -- IQ maximum is home charging today. You should know the power supply challenges and 15 amps and 5 amps and all that, it requires somebody to go in interface with the customer. And if it's big apartment and also association you have to talk to them. So it's not as simple as we see.

**Investor:** Insurance also flowing into EV.

**Management (K N Radhakrishnan/K Gopala Desikan):** I think everywhere these elements will work out appropriately. Please remember this principle of win, win, win, win customer has to win. Government has to win. Companies have to win. The partners who are in between has to win. When will this win, win, win will come over a period of time. Definitely over a period of time.

**Investor:** Last question on the -- see there's a lot of action all happening on the ₹1.75 Lakh to ₹2.5 Lakh by market. [Indiscernible]. Bajaj is selling a bunch of products you are struggling, what's your take on the market, how do you spend?

**Management (K N Radhakrishnan/K Gopala Desikan):** India is premium, okay. When is something positive. Apache no stock, Pulsar what I heard is no stock, Raider no stock. So consumers who have got money they have money. And the brilliant thing what government has done some of the roads and the infrastructure are excellent. No more. He has come from Chennai I always tell him take the road. Only after Kanchipuram, okay, otherwise you reach faster, than taking the flight from here to Chennai and reach here. Saturday, Sunday. I've never seen this phenomenon, unscheduled.

Today's youngsters are unscheduled. This is another behavior. We all planned you know six months back book tickets. Today's that's why unscripted, okay. They suddenly two people meet let's go call the

friends. Where are you? I'm in the office I'm putting leaving and coming, they all right. I have seen and many times I stop and interact with them fun to watch. And sometimes I feel that we have missed it in our youngsters.

Whatever you see in Europe, whatever you see in U.S., whatever it clubs, we have so many bunch of clubs. The other day I was with a dealer he says my daughter only uses three 310 RR. 310 RR Apache young girl immediately I call and put my team. today I have never seen girls riding Apache. Today I have more than 600, 700 young people who wants to only ride these motorcycles India changing. Are we willing to accept the change? Are we willing to put the technology and the kind of features right was built to order. We put a capacity of 50. I have more than 150 per month requirement. So premium is going to happen. You have to invest behind premium, okay.

**Investor:** Sir where a BMW market in portfolio, so how do you see these two bikes or these two portfolio in the whole TVS for next...

**Management (K N Radhakrishnan/K Gopala Desikan):** Brilliant. Yeah, you just apply the logic, okay. On one side we have Moped, okay. Then you have the Indonesia products, okay. You have Europe. You have Rocks. You have Dazz completely different platforms. Moped you know the type of customers, we have RR310. Now we have electric, look at the opportunity for TVS. And on top of it where is that.

**Investor:** So we -- what do you see Norton in coming years because normally our all the products hopefully are doing very well that Norton income coming into future actually. So can you say Norton right now in all of the speed? And how do you see BMW because, when BMW JV came out, it was like there will be some maximum 10, 15 products for the next five years' time, there is some on that time.

**Management (K N Radhakrishnan/K Gopala Desikan):** Keep your breathe. Many things I may not be able to open up.

**Investor:** So just one parting shot when this EV fundraising is happening two months, three months?

**Management (K N Radhakrishnan/K Gopala Desikan):** I normally don't give any timeline, okay, because we are very system.

**Investor:** You all are going to Bombay and happy enough.

**Management (K N Radhakrishnan/K Gopala Desikan):** See, I think these are all strategic decisions and the discussions that are going on. When, how...

**Investor:** Then why you need money?

**Management (K N Radhakrishnan/K Gopala Desikan):** why we need money? Money is definitely required.

**Investor:** Everyone needs money.

**Management (K N Radhakrishnan/K Gopala Desikan):** Yeah. Money is not a -- I'll ask why do you need more than 10% EBITDA tell me? Same answer I can give it to you. So why all of you asked me KNR you're only at 6% EBITDA, you look at some of your competitors your top-line is growing or gaining market share. So six okay we said 10, okay. Now, he asked me before you came why only 10 when are you going to match the gap. Money is not a...

**Investor:** We are greedy, you are not greedy sir.

**Management (K N Radhakrishnan/K Gopala Desikan):** Yeah, but I'm not greedy at the cost of the customer.

**Investor:** And again since you made it for development, for product development, for technology, for distribution, export market for India.

**Management (K N Radhakrishnan/K Gopala Desikan):** I think overall money is required in my opinion for investing in design and development. That is our role. AatmaNirbhar Bharat whatever I said, okay. I think Indian brands are got a great impact in the global market. See, I was very excited when I went to Tokyo Motor Show and somebody without knowing me, he explained to me -- this product comes from India on TVS company. They have displayed GS of BMW and this one and said just comes from India TVS than the other guy said he's the Head of TVS. That gives you, some -- you see your brands in the U.S., you see it in customers using there that gives you the kick. When the Head of BMW tells you KNR we have sold ₹100,000 that is -- that gives you the kick.

So I think we are really, really as a proud Indian, I can tell you we are in the right track. And TVS the way we are progressing. So money is not a bad word. Money is required for real investment in people technology. And I think we are putting a full time big team on the software on electronics. Because we know what I see with a lot of

humility I'm saying, okay. But there are many things we need to learn, especially on the EV side. And you missed that. And that learning curve is.

**Investor:** But how can you see your straddling the entire EV chain from the top end to the lower end and trying to absorb learnings from all segments.

**Management (K N Radhakrishnan/K Gopala Desikan):** If you don't do it, okay, there is a huge offer. That's why I said EV is a great opportunity I look at. So far we have always looked at developing markets, developing bargains, this gives you an opportunity to enter into Europe, U.S.

**Investor:** Deals kick us on so. I want to ask you a few questions. Sir what -- where's the -- what is the roadmap for three wheelers? And for your competitor, your three wheelers was a very high margin business. And so where is the domestic...

**Management (K N Radhakrishnan/K Gopala Desikan):** I respect all my competitors, okay.

**Investor:** Where is the domestic three wheeler market going relative to EV. Is it getting cannibalized by EV?

**Management (K N Radhakrishnan/K Gopala Desikan):** Other three wheeler you will see soon on the EV side and it will be of what it is created like IQ, which will create in the market I promise you. Okay, we are not in a hurry when you put a product it has to create an impact with the customer.

**Investor:** Sure.

**Management (K N Radhakrishnan/K Gopala Desikan):** Okay, when it creates that impact with the customer demand will happen. And then the journey starts. And it will happen very soon. And I don't want to comment about I have many, many competitors. I respect all of them.

**Investor:** Is that a -- I mean I think EV is proportion maybe the margin picture, because this is a very highly profitable product.

**Management (K N Radhakrishnan/K Gopala Desikan):** I have -- I gave you an analogy. Previous years PT TVS three years back, how is the consolidated now looking at.

**Investor:** But can I ask you that.

**Management (K N Radhakrishnan/K Gopala Desikan):** U.S. may not be that amount of time, you will see that in the EV market and others in the MG and others. You will -- see our job and the top management job is interest much ahead of what is likely to happen. And have full faith put all the support of the management bandwidth and design and developing there. Maybe three years will become four years but direction is more important. And stay calm. Make the customer delighted.

**Investor:** Can I ask you, we know when Bajaj went abroad they went to non-Honda markets. You went into the Cirata Dam in Indonesia. What was the thinking of doing that rather than going to non-Honda markets.

**Management (K N Radhakrishnan/K Gopala Desikan):** I respect Rajiv Bajaj, he is a great thinker. But I am KNR, okay. Now what did we learn from Indonesia, stay calm, you will succeed. And using enormous confidence that you can go there and succeed.

**Investor:** But why did you go to a predominantly Honda? What are the thinking about?

**Management (K N Radhakrishnan/K Gopala Desikan):** You believe that customer you believe that you can count on your design and development capability.

**Moderator:** Sir next meeting.

**Management (K N Radhakrishnan/K Gopala Desikan):** Thank you all. Good to meet you.

**Investor:** Thank you so much.

**Investor:** Thank you.

**Investor:** Thank you for the time and insight. We really enjoyed.

**Management (K N Radhakrishnan/K Gopala Desikan):** All of you, whenever you have time, you can drop in a mail and visit the factory and interact.

**Management (K N Radhakrishnan/K Gopala Desikan):** See we have some big R&D center which is...

**Investor:** No, R&D which has a...

**Management (K N Radhakrishnan/K Gopala Desikan):** None of us can put even a chain together liberty.

**Investor:** Liberty two wheeler.

**Management (K N Radhakrishnan/K Gopala Desikan):** Liberty you can see is in the label. When you walk around the factory, you will see the products you see the...

**Investor:** Absolutely.

**Management (K N Radhakrishnan/K Gopala Desikan):** That gives you whatever I said if you see that and come here maybe five minutes our meeting would have been over. I always deliver the same to everybody. For example, we all sat together this effect you won't get it never teams meeting.

**Investor:** I'll go for brand visit and tell Vasu [ph] to talk to.

**Management (K N Radhakrishnan/K Gopala Desikan):** Yeah, please. We'll organize. I'm trying to do it before the mid September than...

**Management (K N Radhakrishnan/K Gopala Desikan):** In the luxury of time I'll share with you we had internal debate in our team on Bajaj versus TVS and kind of insight each one through two of us. And finally we can share about TVS. Entirely different discussion point we will share with you. All things what you said from EV business that we had in discussion. It's something you missed and some are very quite interesting one for you. Look at the ending.

**Investor:** Thank you. Thank you so much. And like I said, I always believe and respect competition, because there is quite a lot to learn.

**Management (K N Radhakrishnan/K Gopala Desikan):** Oh, yeah, absolutely. Yeah. Fabulous.

**Management (K N Radhakrishnan/K Gopala Desikan):** We have a company there.

**Moderator:** Guys are waiting for our next meeting.

**Investor:** So of course.

**Management (K N Radhakrishnan/K Gopala Desikan):** Yeah, yeah.

**Management (K N Radhakrishnan/K Gopala Desikan):** I don't have enough cards.

**Investor:** Thank you so much. Thank you, sir. And I wish you the best. Well done.

**Management (K N Radhakrishnan/K Gopala Desikan):** Thank you.