

FEMALE 1: Thank you so much for understanding. We can start the meeting.

MALE 1: So, continuing on the EV site, I think there is a great opportunity. I think strength again is our design development and product in the range and the ability to give the two-wheelers and three-wheelers. So, we are expecting initially to start with the domestic market with a big change and then using this product rate for the international market.

MALE 2: So, I'll ask one question.

MALE 1: Please.

MALE 2: So, on the EV strategy itself, I just want to understand on your medium to long-term strategy, right? So, let's say -- I mean, EV is more margin-diluted, isn't it? Like I mean, we currently make 10% EBITDA margin, right? Do we think that EV will be able to do the same kind of margin going forward for maybe when we achieve economics maybe in two years?

MALE 1: So, we already told you. I think the most important thing is getting the customer satisfaction and the customer pool on the product rate. Which have got an IQ when I'm pretty confident that the new product is also whatever we are planning to launch is going to delight the market. So once you get the customer satisfaction rate, we are pretty confident that the demand lever which is the revenue lever, that will do extremely well. And that's where bit of semiconductors as an issue, but there is improvement. Again, I can tell you this month like I said the production is much better. We will try to reach the 10,000 mark and maybe we will exit this year around 1,000 per day which is 25,000 per month. So, demand getting it right which is customer getting delighted about the product is a priority one. That we are almost to there. Number two, is once you have the volume, I can tell you, you can work on every element of cost, every element of the customer benefit, we can look at it. And the way we read strategy even the three versions, whatever you have seen. You have seen the pricing difference. You have seen the convenience and the safety and the new features whatever we are giving and customers are willing to pay. So overall, we will be profitable in the next 24 months. I'm pretty confident even the EV, okay. I don't want to give you guidance on the EBITDA, but definitely the EBITDA will grow year after year and the EV business as well.

MALE 2: Right. And what number we are looking at for the breakeven?

MALE 1: Breakeven, I think we have to put it a little differently. I think we have capacity. And what is most important is, like I said, the moment we are able to do, for example, the current IQ band of the new products first of all gross margin will be positive. Then the more the scale and the revenue comes, you will be able to get the PPT level positive and EBTDA level positive. So that is the way we look at it.

MALE 2: Right. And in terms of extreme --

MALE 1: Most importantly hitting the 25,000 a month.

MALE 2: Right.

MALE 1: I see only one risk, the semiconductor working with them very closely. Amanda Fruman, there is an improvement. I won't deny that. But how quickly we can do that. It is not only an EV, we are seeing the same challenge in the IC also. So it's possibly because of the last year lockdown and a couple of big companies like Renesas in Japan who have got the fire accident and the DI which had flagged -- so there are assignable reasons last year and suddenly they were all closed for 45 days one block and the later another 45 days. And when they reopen, they realized that the demand of the consumer durables also going up. Two big companies having practically other than this lockdown, another lockdown or another stoppage because of natural calamities and fire. So, all put together today any lead time they are talking about is 52 weeks. Okay. We are given those kinds of projections as well. And on top of it, all of you know the kind of delays in containers. So, I think that some multiple factors all coming together but everybody wants better and better business. Even the big conductor companies wants to support us.

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MALE 2: Right. And in terms of extra investor, we are reading this, you know, always there's some speculation that how much you're going to like raise for the EV subsidiary. Is there anything happening in that side in terms of external investment?

MALE 1: Desikan, you want to say that?

DESIKAN: Yeah, yeah. No, no see, we discussed this last time also after having incorporated a new subsidiary. We are evaluating various options and we have the board approval and the structuring is happening. But I don't know, some news item appeared yesterday. We don't know. We are not commenting on that, but we are exploring various options, that's all.

MALE 2: Right, understand. And in terms of this demand, right, we have seen that because of all the fire incident happened in the last one one and a half months. So EV incrementally didn't do well for the last month. Is that do you think that it's going for at least for temporary we are seeing the same kind of expectation that --

MALE 1: Last time last time when I met you I told that we have a booking of 12,000. Today I have a booking of 20,000.

MALE 2: Wow, okay.

MALE 1: So, what we need to understand is safety, quality, standards are very, very critical and everyone should adhere to it. Okay. And this is not something new. I think every customer, any technology, the last thing they want is anything related to safety. So, we have to constantly work on the area of safety standards and we are taking care of the customer needs. This is something we have to always look at it.

MALE 2: Right. And in terms of like overall two-wheeler demand, I mean, we are seeing some kind of improvement is happening for last one month or so. But let's say if you're talking about PV or tractor we have seen much more improvement. We have not even reached even pre-COVID kind of volume yet, right? How we are seeing going forward demand in terms of industry as well as for ourselves?

MALE 1: See, I think your observation is very valid. The positive news is this year after two years of lockdown, we had the marriage season April, May, June.

MALE 2: Yeah.

MALE 1: So marriage season there is an uptick, definitely there is an uptick. The second is thanks to good monsoons and good agricultural produce and MSP, the rural is slowly coming back, okay. So, that is a positive news. And please understand the severity in the bottom of the pyramid where the prices have gone up, but their income is not steady, self-employed has not got jobs. I think possibly last six months has given a confidence that the Omicron wave three and even whatever is happening today, there is no hospitalization. So, slowly the sentiments and positivity at the bottom of the pyramid is coming. And they also have regular jobs and regular income. So, I am positive that the rural will start doing well month after month, okay. Now, what is most important is we should all recognize that the cost increases due to all the regulations plus the steel increase plus the insurance increase, it's a huge, huge increase as a percentage to the on road price when it comes to two-wheeler. So, when you compare a tractor this one is very, very small 2%, 3%. But the moment you look at something like a two-wheeler, the costs are very, very high. Very, very high. So, their income level has not gone to that level. That's why it is taking longer time.

MALE 2: Yeah.

MALE 1: Okay? Only thing we need to note down is public transport system is not so robust. There is a need for mobility. So, it will come back. We are seeing the CAGR of almost 10% in two-wheelers. That 10% will come back. Okay. Unfortunately, this regulation changes and the insurance and the GSP all have happened in the last 12 to 18 quarters, plus the increases now which is happening now on steel and insurance. So all put together, the income increase has not been proportional to the kind of price increases whatever has happened in the two-wheeler side.

MALE 2: Right. So we are expecting at least FY-23 would be at least like FY-20?

MALE 1: Yeah. Possibly, I think this year will be better than FY 20 is my estimate.

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MALE 2: Okay, understand.

MALE 1: Like I said, I'm very cautiously optimistic on these lockdowns and the vaccination is definitely helping. And the rural is agricultural produce will be good. They will have regular

income that is going to trigger good demand. Okay? I agree that it'll be better than somewhere in between 2019 and 2020. That is my estimate.

MALE 2: Right. And so, moving back to the margins. So because of all the raw material price increase and we did price hikes. So are we now done with almost price hikes and we should be maintaining the margin?

MALE 1: Price hikes are part and parcel of this kind of unprecedented raw material cost increases has never happened the last eighteen months. I think it has been huge increases and always there will be some portion of uncovered portion will be there. So, what we look at is we can't pass on in every model. All the prices are certain models the customers will have the ability to pay. One thing we are able to see is premium products are doing extremely well. The demand is extremely good which means people are having money and they are willing to price. They are willing to take it. Okay. When I say premium products in our category NTORQ or Jupiter 125 or Apache Series or Raider. Okay? All are okay. Unfortunately, in the case of Raider and Apache, we had some setbacks in April and May because of the semiconductor supplies even in the icy side. It is becoming little better in June. For Apache, in May was little better. June is also better. But Raider, it is yet to start. So I think premium products even in two wheels there is a good demand and people are willing to put the money. It is the entry-level more paired to the computer, motorcycles and entry-level scooters where you have the challenge. Because their buying power is really low. But I'm pretty confident that with their regular stability in income, most importantly stability in income with all these vaccinations will help them to come back and buy even the entry level models.

MALE 2: Right. Okay. I think those are my questions, we should tackle.

MALE 1: Thank you.

MALE 2: Thank you for your answer.

RAMI: Yeah. Hi! Can I go ahead with the question?

DESIKAN: Yes, sure Rami. Thank you.

RAMI: Just the continuation of the EV strategy. Right. So if you could talk about the e-bike side of things where you've made a few investments and acquisitions primarily targeted at the European market, just a thought process and how does that sort of get aligned along with your India EV strategy? Some maybe the overall peace if you could touch base.

MALE 1: I will try to help you people. If you look at our Indonesia products up to RR 310. We have got an excellent product rate. I can say one of the best product ranges in the industry today. Okay. Indonesia, that's cool back to develop. We are also exporting from there. They are also selling in Indonesia. So we have that portfolio. Now, you know, we have come with the IQ and there is a series of products. We are looking at and you will see many more products on the two-wheeler side from EV and also from the three-wheeler side. So that is going to be there. And you

know Ntorq which is in the super premium category which is really super-fast. When you look at the E-Cycles, I think there are two purposes. One, with electrification coming in and our opportunity to get into developed markets like Europe. Okay. One of the key things we have seen is the E-Cycles are really doing very well. CAGR is around 20%. And somebody like SEMG when we took over, I think we get products. We get their omnichannel, most importantly if you'll understand the customer behavior in Europe because the moment you understand what triggers them to buy any cycle, what are the decision criteria they look at? I think that is going to help us in a big way. This is number one. Of course, we can also leverage all our product EV, product portfolio which is coming from India for all the development market parcel. Definitely, we will use it for Europe and many other markets.

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So overall, if you look at it, this is going to be supplementing or helping in the E-Cycle area. And once, we understand this market and this one. One is entering into a geography like Europe. Another one is understanding the behavior of the customers on the E-Cycle side. And then these E-Cycles can be leveraged to any other country, including India. So overall, that is the overall strategy perspective when we looked at the kind of a SEMG or rework, when we looked at investing in those investments for future. And all of you know that SEMG is a profitable company. Okay. So it's going to give us enormous understanding of consumer, usage, European market, behavior of the customers and the new category called E-Cycles.

RAMI: Sure. But do you think that there is a risk of trying to sort of spread it too thin across multiple markets and across multiple segments rather than probably focusing on the Indian EV space where you already have an established brand?

MALE 1: We have separate teams. See, what is most important is you need to have good resources and teams to manage it. India has got a very strong team. And whatever we are developing for Indian markets as we know, we are using it for the international market in a big way. I see you know, how we are leveraging it for the international market? Same thing we will be doing. I think I wish I had more chips and semiconductor available. I think I could have done easily very high volume of IQ and then started into the international market. Today, the biggest constraint is the availability of some of the electronic parts. So. E-bike parts. So that is not a problem at all. And whether it is the SEMG or Ntorq, there are separate things. And we can always take the synergy of our R & D design, development capability, sourcing capability, Indian capability supporting these companies. But there will be a huge learning and it is going to be concurrent. And please understand today's business scenario you have to be concurrent.

RAMI: Got it? Sure. Yeah, that was my question. Thank you. And all the best.

MALE 1: Thank you. Thank you so much.

RAMI: Please feel free to unmute and ask your questions. While we have other questions, if I may push another one, you briefly alluded to export opportunities on EVs. I just wanted to know if there are any differences in terms of products for export markets. Does the Indian product with

the same products work in the export markets as well, or you will be launching separate products for the international markets? And where are these opportunities coming from if you could just also give some color on that?

MALE 1: The exporter, country by country, we have to study that. But I'm saying the basic backbone will be same. The battery management system can be the ICUs can be, the VCUs can be looked at depending upon the preference. Of course, local language will be required. So there are certain significant portion backbone will be common. Okay then the design element. Country by country there are preferences on what type of design elements they want. So whatever experience we have on the developing market and whatever we are now learning in Europe through the SEMG, all this will be useful. And please remember the K02, K03 with BMW. we have sold more than 100,000 bikes in all the developed markets. That gives us a huge insight into what type of customer usage, what kind of home allocation needs are there, standards are there, safety standards are there. So all these are going to help us. Any other clarifications?

DESIKAN: If you have no other calls. Can we conclude the session?

RAMI: Sure, I'll give a minute if anyone has any questions.

SHAM: Hi, sir. Good evening. This is Sham from [INDISCERNIBLE 00:20:01].

[00:20:00]

Pleasure talking to you on this forum. Just one question. On the existing food business that we have, we have done extremely well if we look at a five-year period, whether it be our own numbers or from an exports from India perspective on the dealer side as well. Now given where we are today, what are the growth legs for the next three years? If you can talk about it with geographies, from a new geography penetration or from addition of distributors, what we have done in the past few years? What further growth legs are there in exports to support, 13%, 15% kind of volume growth over a three-year period? Thank you.

MALE 1: I'll divide, Sham, into three or four buckets. First, I think what you said is absolutely right. Last five years, the exports from India CAGR is around 9% and we have done 18% kind of a CAGR. Okay? Then, let me take the existing products. There are existing products like Apache HLX series, three-wheeler, then scooters especially Ntorq, and now the Jupiter 125. These are products which can be leveraged to much higher volume in many markets because these are markets where we are seeing huge potential to grow for the future. Okay? And if I take key markets like Africa, I think we have done extremely well. We are either number one or number two in many of these markets and my prediction is in 10 years' time Africa is going to be like India. Roads are going to be there. Consumers are becoming literate. They are investing in many of the education and College. I think they are becoming developed. You will see urbanization happening. So Africa is going to be the growth market. So you will see the CAGR and most importantly you are seeing political stability. You are also seeing the foreign exchange availability in markets, and of course the fuel prices are stable. Of course, the war is a little bit creating some problem, but I'm assuming that will settle in a few days. Now, coming to the areas

where we are now focusing are ASEAN region. Okay? We have got distributors in all the places, Indonesia or Philippines or Myanmar -- this entire area. Asia, two markets are closed but at some point of time they have to open which is Sri Lanka and Myanmar. Good market for us. At some point of time we will see it's coming back. Now, the clear focus on our side is how do we take ASEAN to the next level? Because these are excellent markets where industry is doing well. We have started our journey but given our learning in Africa there is a huge potential for us to succeed in these markets. Okay. And remember we have our scoop back and be back also today, month after month we are able to do 10,000 from Indonesia. Now there's a huge upside to take it to 15,000 and 20,000 in the future with the current product itself. Now, coming to Latin, it's a big market, huge market. There is a huge opportunity. Middle Eastern, ASEAN -- sorry, Latin is another market where we have a huge opportunity where we can significantly gain a market share. Now coming to new products, Raider for example. It's not only in India. It's extremely well in the international market. Ntorq we have started no marketing. See one of the strengths of TVS is you have to have new products which are very clearly looking at the customer needs and customer space and understanding. The moment you put it, demand is there. So we will complement between existing products, existing market and the typical two by two and invest behind the kind of products for the future. And that is going to definitely help us to grow same way better than the industry in the next three years. I promise you that.

SHAM: Thank you, sir. Thank you very much. One other question if I may ask from a profitability perspective. We have done multiple things. You have been talking about it in the last several years from a fixed cost, getting absorbed over a larger base. All that we are seeing now in a very well-orchestrated manner in our results per se.

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Are there further links to these fixed costs they're being absorbed? Because the reason I'm asking is now that domestic market will open up much strongly. Does that mean that our marketing spends specifically in terms of brand building and so, that had to go up per se? What are your thoughts?

MALE 1: See, the opportunity for example, whether it's a Raider or a Jupiter 125, look at the volume, it is taking a vertical takeoff. So that is going to help us disproportionate growth in the top line. So the moment you see disproportionate top line increases that is going to help us in amortizing that across every fixed cost element. And also on top of it, thanks to the top line being robust, we are able to look at multiple sources from single sources in the past. The moment you get multiple sources you get some sourcing advantage. You know that. You know? And we are also now looking at in a big way what kind of modularity we can bring in? because modularity can really bring down the cost. So there is a huge element of design. And we have significantly reduced the import content now. So it is a combination. I'm a firm believer that grow your complex disproportionately. Unfortunately, what has happened is last two years have locked down and some keep availability or summer availability is creating lot of headwinds for us. Otherwise we would have seen a very much better than what you have seen. I promise you that. The headwinds have been huge and some of them are unplanned, really unplanned. So you have to look at one thing. If you invest in the right products, in the right segment, customers are

there, Sham. That we will continue to do. That we will continue to do and that is going to give us huge benefits when things are it's not going to be, life is going to be always headwind, headwind, headwind, there will be tailwind I promise you one.

SHAM: And sir, one last point just from a balance sheet perspective, we have spoken about getting external capital for some of these new growth initiatives specifically on the EV side per se and even from monetizing our credit solutions business as well. If you can give any updates on that part because the reason I'm asking is we are at the stage where a balance sheet looks to be getting more leveraged going into the next three years and there are pools or demands for capital from multiple directions. So how is that progress?

DESIKAN: So, Sham is very consistent in my reply. We are exploring various options. We are in a very advanced stage, so we will let you know once everything is finalized both in the finance business as well as late.

MALE 1: In the overall, new investments, whatever we have made -- you have seen TVS as a great success. You have seen TVS last two years excellent profit. I can tell you the opportunity to grow international business and export from there is huge scale both on the two wheeler side and the three wheeler side. So all these are going to help us and this constitute almost 70% of our investments and where we have invested in something like SEMG, it's a profitable company. It is going to give us huge learning in terms of Europe and the consumers and their behaviors and fortunately for us we have an excellent EV portfolio and all of you know that the new EV two wheeler the cool two-wheeler which BMW we are developing, we are designing also, we're designing developing for them as well as for us for the global market. So all these are going to be really, really going to give us huge benefit going forward.

SHAM: Sorry, sir. So, the external environment changing has not impacted in any way our plans to get external capital?

MALE 1: It's the only one change. It has affected the semiconductor and this contains --

SHAM: Okay, but I was not talking from capital markets and the --.

MALE 1: No, no, no.

SHAM: Well, thank you, sir. Thank you very much.

MALE 1: Actually, TVS is in all. Desikan will tell you that last three months. Okay? Zero delinquency, that kind of scenario, we have not seen.

DESIKAN: Yeah. Absolutely.

[00:30:01]

SHAM: It's wonderful, sir. That's interesting.

MALE 1: My request to some of you is all of you should visit whenever you can to TVS motor. Let us know in advance so that we can be present to you and to interact with you. Seeing is believing.

RAMI: Thanks, sir. Are there any further questions?

MALE 1: Then, we will join the next session.

RAMI: Yes, sir. If you have any, concluding the months?

MALE 1: I think the strength of our continued strategy on focusing on the customer and definitely even in the EV side, that is what is very clearly seen from the consumer side on IQ. It will do very well in the market and we are confident of ramping up to 10,000 and moving towards that 25,000. And you will see in the next 24 months really, really high quality new technology product launches in the EV space. And I see all of you know, we will continue to invest so we will grow ahead of the industry both in domestic and international with a very strong portfolio of our brands and products. And I'm pretty confident that we will continue to deliver the beta promises, whatever we have given going forward.

RAMI: Thanks for a very compressive session, sir. On behalf of Morgan Stanley, I thank all the corporates and investors.

MALE 1: Thank you, thank you and finally, anybody is interested in this group. And whenever you are visiting Bangalore, kindly let us know or Chennai, so we can host you.

DESIKAN: Thank you.

RAMI: Sure, so thank you very much.

DESIKAN: Thank you.

[00:32:07]

FEMALE 1: Hi! [INDISCERNIBLE 00:00:04] from Open Exchange. The meeting will start shortly. We are waiting for the corporates to be in. Thank you.

[BACKGROUND NOISE]

[05:00:00]

MALE 1: Hello everyone! A very warm welcome to the Morgan Stanley Virtual India Summit! I've actually dialed from two lines so you may see my voice a little distorted, but nonetheless, very pleased to have TVS Motor's management here with us today. The company is represented by Mr. K N Radhakrishnan, Chief Executive Officer and he is joined by Mr. Gopala Desikan, the group Chief Financial Officer. Given we have almost 18 clients on the call, in case you have a question, then you can either use raise your hand option and then unmute yourself or you can just -- in case the queue is empty, you can just unmute and start. So with that, I think I would hand over the floor to the management to say some opening remarks and then we'll move to Q&A. Thank you.

KN RADHAKRISHNAN: I think extremely happy to meet all of you. I think you know that we have strong product range in the portfolio and we always invest in new product development and we have seen the Raider and the Jupiter 125 and Apache and all the premium A session is also helping. Overall we have grown ahead of the industry both in domestic and in the international market.

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Our continued focus on premiumization and also volume growth and also looking at cost reduction initiatives and focusing on fixed cost has helped us to cross 10% consistently while we had huge headwinds, especially in the last four or five quarters. On the EV side, you know that we have really very clear vision and we have put our iQube and recently we have launched the two versions of iQube and also the third version is likely to be available soon, ST version. While I am talking we have more than 20,000 booking of iQube. iQube, customers loves it and it's one of the finest product in the EV space in India. And this year we will be launching a few more products focusing on different customer segments. We are also planning to have a complete portfolio both two-wheeler and three-wheeler EV in the range of 5-25 kilowatts, which would be there in the market in the next 24 months. We have a very clear partnership strategy because we want to give a wide and a level charging infrastructure for our EV consumers in India. Recently we have collaborated with Jio-bp, and all of you know that we already have got widespread access to the Tata Power and CESL. We are pretty confident that the EV industry will grow and we have a subsidiary formed on the EV business. This is to create better flexibility and focus. I think the strength of the company is in design, development and our own R&D capability. That is exactly what is seen in the success of TVS, and of course we always focus on the customer satisfaction. Customer satisfaction leading to the top-line growth ahead of the industry, and in the last couple of years our focused work on the profitability side has helped us to really take the EBITDA 10% and I am pretty confident that we will march ahead with the product range, both in IC, in domestic market, international market as well as in the EV space.

MALE 1: Thanks for the opening remark. If any investor has a question, please unmute and you can ask the question. Yeah, Nikunj, please go ahead.

NIKUNJ: Yeah. Hi! Thanks for the opportunity. I have a couple of questions. So starting off with our investments in the overall EV space, so when I look at our investments which we have done in FY22 in terms of -- for 80% stake in EGO, we have invested in Norton, we have invested in Swiss e-Mobility. So just wanted to get the thought process behind going for more international exposure on the EV side and at the same time even going aggressive on the EV side on the Indian context, so just wanted to know the thought process in terms of capital allocation from an overall EV perspective, how should one look at it going forward from here?

KN RADHAKRISHNAN: Brilliant. Brilliant Nikunj. I think you know TVS, if I look at today, the India IC space, we are starting from [INDISCERNIBLE 00:14:07], very good range, and we have continuously invested in the new product development, like the recent launches like Raider, Jupiter 125, and if you recollect we have launched Apache, various version from 160, up to 200 cc and 310, same way. The strength of the company is really looking for customer segments and understanding and really plugging the space with excellent products which delight the customer. That is number one. Now, when I look at Indonesia, we have [INDISCERNIBLE 00:14:43], that is supplementing it in a very, very good way in the range, all are in the IC space. And like you said, iQube is the first product in the EV space. We predicted that scooters are one area --

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-- which is likely to -- more and more customers in the urban area looking at the EV space. So that's why we started with iQube, the scooter, and we are seeing excellent pull in the market and you have seen two launches recently and one more will come, one more product, the ST product of iQube will come in the market, and few more will come in the next four quarters, both in the two-wheeler space and the three-wheeler space. Now, coming to the overall portfolio, you have the Norton on one end, which is really, really super premium. Okay, it's a brand which is unique, it is special and it is all about developed markets, okay? And we are currently with IC space, we are present in 70 developing markets, okay? Of course with the K02, K03 relationship with BMW, we have sold more than 100,000 bikes. They are all in the developing markets. Now, coming to the e-cycles, if I look at the entry level, there is a huge opportunity in terms of understanding Europe and the consumer behavior. So that is the reason we invested behind SEMG, EGO, and the SEMG has got products in the space, also omnichannel. So you will understand the behavior of the consumer, what is it they are looking at, and I am pretty confident once we know that fully, we can also leverage the EV products what we are designing and developing in India. Many of these products can be used here. So one needs to understand Europe as a developed market, another one is to leverage our existing EV, whatever we are developing here. Equally, when we understand the e-cycles in a much better way, I think market by market we can also look at -- because we have the ability to look at what is the core, what is the customer requirement, what we can fine-tune country by country. So it's a portfolio which is starting from e-cycles up the market, if you look at it that way, especially getting into developed

markets now. So far the game has been in the developing markets and leveraging IC capability in TVS, now we are looking at it in totality.

NIKUNJ: Okay. So is it fair to understand that going forward, since now we have covered from the premium bikes to e-cycles, I mean from an investment perspective the intensity of investments in this companies plus in any new ventures beyond this space will be limited, is it a fair understanding or you would still look to have more -- cover more whitespaces in this space?

KN RADHAKRISHNAN: See, first of all, I'll answer about the whitespaces in the IC area and then I'll come to EV and then I'll come to e-cycles. Please understand -- and before that I want to really clarify that SEMG is a profitable business already, okay? Now, coming to, if you look at IC space, like I said, TVS Raider or Jupiter 125, these are unique spaces. When consumers in the 100 cc or 110 cc, they always look at upgradation, because especially in urban, the income levels are better, so they will go for premiumization. I'll give you another analogy. We launched Ntorq, okay, typically if you look at Jupiter, all versions of Jupiter, the young customers still prefer better power, slightly powerful bikes, leaner, stylish, sharp. So the customer segments, you have to constantly look at the spaces and those whitespaces where there is opportunity we will continue to invest Nikunj, whether it is IC or even the EV, okay?

NIKUNJ: Sure, sure, that's helpful. And my last question and I will join back into the queue is in terms of, we have done commendable work in terms of the cost reduction initiatives which we kind of envisaged I think three or four years back and we have been able to get a margin of 10% plus. So from here on, how much of more optimization and efficiency benefit can still be -- still accrue to us in your sense?

KN RADHAKRISHNAN: There is excellent opportunity. Our belief is be number one in customer satisfaction, that we always focus on that, because that leads to growing the top-line faster than the industry; that is happening. Unfortunately what has happened for us is, products like Raider or Apache, semiconductor is a little bit affecting. May is better. June is expecting too much better. So you leverage your products to grown your top-line in a big way.

[00:20:01]

It has got three purposes. One, the fixed cost gets amortized, because I don't think the fixed cost are going to be higher because we are selling more, number one. Number two, when you sell more, that gives us an opportunity to get scale benefits, okay? And number three, in the last couple of years two things we have done. We have reduced our import content. We have also introduced some new suppliers because volumes are there. And whenever you bring a new supplier, you can get some better negotiation with the current supplier. So it's a combination of - and now we are looking at in a big way when the volumes are going up, how do we look at modularity, how do we look at part commonization, how do we look at rate. So it's a constant and continuous journey and I'm pretty confident that the double digit has just started.

NIKUNJ: Okay, thanks, that's very helpful. I'll join back into the queue.

MALE 1: Yeah, yeah, Gokun, please go ahead.

GOKUN: Hi! Thank you. I wanted to get an update on your expectations of how profitability could evolve in EV, in exports, especially in EV subsidies come down and product evolves, but also in exports.

KN RADHAKRISHNAN: See, the subsidies in exports, you know it was there, it was not there for some time, but it has come in the form of --

MALE 2: ODTP.

KN RADHAKRISHNAN: DTD.

MALE 2: RoDTEP.

KN RADHAKRISHNAN: RoDTEP. But significantly it has come down, okay? In fact, what we look at is, we have an excellent portfolio, how do we become very strong in every market, okay? Today 100,000 customers are liking us every month and we feel that there is a huge headroom. Recently we have launched Raider, the acceptance in many markets are very good and we have Ntorq, which is a unique kind of a scooter attracting the young people. So product is our strength and we always believe in customer delight through service parts, genuine parts. Because in two-wheeler business the first service comes in 15 days or 20 days, okay? So these are the special strategies of focus we always believe in. Now, coming to EV profitability, most importantly, you have to get the customer delight, which we have got in iQube, okay? When we addressed all of you sometime after the last quarter, the booking was about 10,000, but today when I am talking to you it's almost 20,000 with these launches. Unfortunately, we want to go to 10,000 production, while the semiconductor companies are definitely supporting us, still there are some challenges because again, semiconductor, when I look at it, in lockdown one and lockdown two they had stopped almost 45, 45 days. Then two companies, big companies, you know, one company in Japan, they had fire accident and one company in US, TI had flood. So unfortunately what has happened is today anything you talk about to them it is 52 weeks of lead time. They are very much partnering with us, so I am pretty confident that a couple of months we will be there at 10,000. But what is most important for us is we are beyond that, this 10,000, we can exit this year by 25,000. The benefit is even the variants you would have seen, features are different, pricing is different, and this gives us profitability on one side and the scale uses profitability. And we are able to better negotiate with the suppliers on overall cost. So most importantly to build the scale in EV, which with the product range, what we are planning we are confident. So that's why I said in a couple of years' time we will be profitable in EV, completely EV business as well.

GOKUN: Okay, so it sounds like the accumulated experience and accumulated skill you expect operational gearing to benefit and profitability to improve.

KN RADHAKRISHNAN: Absolutely. And most importantly, the strength of TVS is even in iQube, battery management system is ours, the controllers are ours. ECUs are ours, the motor

controller is ours. So we collaborate jointly with the supplier. It's not buy some part, some assembly and give it. The benefit is if you completely know the design, then you can look at what all things you can do with the variants, you can look at the platforms, how do we leverage it for the future, there are huge opportunities.

GOKUN: Okay. So my follow-up question has to do with what you've just been explaining. I've admired your focus and competence in design and development.

[00:25:00]

Do you see execution risk or do you see any other risk at all in TVS going after quite a lot of things and trying to do a great job in very many things? You are going after all sorts of segments. You're the best in chasing Bajaj in export markets. You launched iQube, is that maybe spreading your great engineering and managerial talent a bit then?

KN RADHAKRISHNAN: I want to clarify one thing, whether it is Norton or SEMG or EGO, they have separate resources, okay? The core of that learning, there is a strong team of R&D here and we can definitely learn from each other. But there are separate resources to manage that, okay? And coming to India, I think we have tremendous capability in IC and now it is the time, assuming that everything is EV, so we are really, really investing behind EV, okay? And we are supplementing people on the software side, electronic side. There are certain unique experiences on the digital side because you need to supplement, you cannot build the capability alone. Also, we partner with many, many competent people globally, it can be universities, it can be individuals. So it is a collective kind of -- most important thing we put it in people and the core competence, how do we build it internally.

GOKUN: Okay. So over the next three to five years, are we getting to a stage where you slow down in identifying and building scale in new segments or will there be additional product lines, additional markets, additional segments you will identify and target and invest in?

KN RADHAKRISHNAN: I think most importantly what we have seen is constantly give customer delight and look at the space where there is an opportunity to come up with the products. Delight the existing customer with variants and variants and variants, because customers are demanding. Every new year -- see, if you look at the smartphone industry, they want something new, okay? So one of the things we have to constantly look at is how do we keep delighting and updated in line with what the customer experiences are. There is no choice. I don't know, you call it a slow down, speed, updated, best in class, you can call whichever way, okay? I am of the view that always you put yourself in the shoes of the customer and look at not automotive experience, you look at other experience. For example, every consumer today looks at the smartphone. They want everything like smartphone. They want that speed also. So we have to be constantly active. So that's why I said put always customer at the center of the table and look at whatever they want, keep doing it. I am not saying 100% we are going to be right everywhere, okay? Somewhere there will be mistakes, somewhere we will learn, but never make the same mistake second time.

GOKUN: Okay, understood. Thank you sir.

KN RADHAKRISHNAN: Thank you.

MALE 1: Hi Dipin! Please go ahead.

DIPIN: Yeah. Hi! Thank you. Am I audible?

MALE 1: Yeah.

DIPIN: Thank you for the opportunity. I wanted to understand from you, when I look at your past three to four years of performance, you've done tremendously well across various segments and continuously gained market share as well as improved profitability. And it's a very commendable thing when you look at the stress during the COVID time across various companies and industries. TVS has kind of been an outlier and have done a great job. So if you can elaborate between urban and rural and between various segments, including motorcycle, scooter and your product portfolio, what were the gaps which you had plugged in and what are the areas which you have addressed which has helped you gain this market share as well as profitability? And having done this now, reaching at this level now, when I look at the next three to five years of journey from here, what is it that will help you? What are the areas you are looking at to continuously gain further market share and profitability?

KN RADHAKRISHNAN: I'll put it into three buckets.

DIPIN: Sure.

KN RADHAKRISHNAN: First is whatever you give, give best in class to the customer, okay? Never, never compromise on that. Always give best in class to the customer, both in sales experience, service experience, product experience, you have to give it, okay? Now, you have to give digital experience as well, because today's youngsters, they're on the ball, they're on the ball, okay? This is number one. Number two, you would have seen, if I look at last two, three years, for example --

[00:30:00]

-- I was also personally worried when we had last two years of lockdowns. How are we going to make sure that we deliver new products? But our teams have done a brilliant job. So, we have learned a new technique of work from home or work digitally. Clear many things digitally. So, I think it's the core competence we have now whether it is Raider or Jupiter 125. Both are great success. Great rate means really great success. Both domestically as well as internationally, and we have to constantly look at the spaces where there is opportunity from the point of view of the consumer. Urban markets, people want to keep upgrading. In the urban market, since you brought rural and urban if you ask me, urban money is not a problem. Okay? Even this pandemic period, all the premium products have done well. Supply is the problem. Semiconductor has been the problem. Container has been the problem. Whereas you go to the rural, the biggest problem

is lockdowns, self-employed, significant proportion, no job, no income. They have demand, they have mobility needs. But the moment you don't have income, the first priority goes for your food and education of the children, you know? They have been postponing, postponing, postponing. I am of the view that April, May, June, first time [PH 00:31:27] marry season, the pandemic now whatever number no hospitalization which is a positive news. The vaccination going at the current level, brilliant. I'm of the view, India will have the rural coming back in a systematic in a good way. Month after month, we will see the confidence building up. Month after month, you will see -- the monsoon has been very good. The rural produce has been good. MSV support has been good so I am of the view that multiplier effect will start now coming in and slowly you will see the rural sentiments and the positivity coming up. That is good for India and definitely good for the two-wheeler category.

DIPIN: Sure. So, in case of rural, what are your thoughts on the significant increase in the cost of ownership both from the point of view of the vehicle prices as well as the running costs looking at the fuel prices have gone up while in urban what you highlighted that money is not a problem, affordability is not a big issue, people are willing to pay that higher price including the running costs and buying things are not affected, it is more of a supply related issue. How does that work out when you look at the rural customer who is relatively more price sensitive and cost conscious?

KN RADHAKRISHNAN: Fair point. Absolutely, fair point. But please remember, today for example, all of our products are basics are all the effect. Far better fuel efficiency, far better durability, far better convenience in riding, okay? Those are customer benefit. When I agree that the regulation costs plus material costs plus insurance costs are really, really putting out of challenge to these customers. But I'm of the view that last two years, they haven't been postponing the new buy, number one. Number two, the mobility needs are there. What I have seen is in the self-employed [INDISCERNIBLE 00:33:19] typically if you take a mobile customer, earlier used to make 100 rupees. Now, everywhere people are also willing to give another 10 rupees, 20 rupees. So, he can earn his money from 100 to 150 rupees, 130 rupees, okay? So, I think it's -- unfortunately, what has happened is everything has happened in the 12 to 18 quarters. One after the other including this pandemic slowdown. I think give them a little bit of time, you will see rural coming back and thanks to the government lot of improvement in infrastructure, good roads. You travel anywhere in the rural part of India you are able to see good roads. Good road is the first portion of starting the mobility, and it makes the self-employed earn more.

DIPIN: Sure. My second question is related to the one of the earlier questions. On the quantum of investments that we've seen which your company has made over the last couple of years and across various verticals. So, looking at the size of the balance sheet and the quantum of this incremental investment and the cumulative investment that we have currently made. What is the kind of indication of the payback period that you want to share with us?

KN RADHAKRISHNAN: Let's say, overall investments made I think 70% has started paying back very well. Whether it is TVS, Credit Services or PDTVs Indonesia, okay? And the CMG, whatever we have acquired now, it's the profitable company. It's going to really make us

understand the European market, the consumers, it's an omni channel will they have products. So, we are going to have a complete --

[00:35:00]

-- So far, we are not in the developed markets. Please understand. All our exports have been to the developing market, all our products have been only in the IC side. Maybe in India we have started with iQube, okay? And we are off the view that now is the time where you have to look at as a global complete arena, and there also you have to look at priority and say which products, what can supplement to the range what you have. So, I'm pretty confident that all these investments are going to give very good returns in the futures. Like we have seen in TVS and PD TVS.

DIPIN: Would you like to give some indicative timeline of the people period, three years, four years or whatever?

KN RADHAKRISHNAN: I already said the EV. I'm confident that in 24 months, it will be a profitable decision.

DIPIN: Right. Okay. Sure. And lastly, on the EV, you know there was some news article that you are looking at raising some 5000 crews and if you can just highlight some -- give us some sense on that. What is the structure that you are planning for the EV entity? Are you kind of looking at putting it in a separate subsidy or --

MALE 2: We have formed the subsidiary which is already communicated. We are in the process of exploring various opportunities. We don't want to comment on a new site that appeared yesterday or day before. But we are exploring various options and opportunities not only for the EV, but also for our finance. So, we will come back to you at an appropriate time definitely.

DIPIN: Sure. Thank you so much and wish you all the best.

KN RADHAKRISHNAN: Thank you.

MALE 1: Hi, Ahjid. Please go ahead.

AHJID: Greetings. First of all, Congratulations on the launch of Google products on the [INDISCERNIBLE 00:36:56] sites. So, [INDISCERNIBLE 00:36:58] I see our distribution. We expand with the launch of the products. So, I see the website [INDISCERNIBLE 00:37:12] 33 cities so what is the distribution before the product and how was [INDISCERNIBLE 00:37:17] and [INDISCERNIBLE 00:37:22] to the target markets. After distribution, we can [INDISCERNIBLE 00:37:24].

KN RADHAKRISHNAN: The 33 cities just before this launch we had 33 cities. Primarily because of the ramp up for speed, and the ramp up speed was only because of semiconductor. I

did explain about EV conductor and the challenges, but now the semiconductor companies are able to ramp up support us. So, I'm pretty confident that we'll move to 10,000 and possibly we will try to exceed this year by 25,000 [INDISCERNIBLE 00:37:57]. With the confidence of getting higher delivery, we are now expanding. But our ambition is to go all India, and maybe start some few countries [INDISCERNIBLE 00:38:12] because many export countries have shown interest in this product. But we have not given to any one of them. Anyone of them, because we have to satisfy all the Indian customers, start giving them with a reasonable delivery period so that is the focus going to be.

AHJID: [INDISCERNIBLE 00:38:33] some of rural markets even the high end standing, you know [INDISCERNIBLE 00:38:36]. The distribution can [INDISCERNIBLE 00:38:43].

KN RADHAKRISHNAN: Practically, practically, for example, like I see in India, we are in every town, every city, every rural area, okay? Plus, we will cover all the urban areas and semi urban, so the structure will follow exactly like them. Exactly like them.

AHJID: [INDISCERNIBLE 00:39:07].

KN RADHAKRISHNAN: Your voice is a little bit breaking. Sorry for that. So can you --

AHJID: Is it better now?

KN RADHAKRISHNAN: Yeah, a little better. A little better.

AHJID: [INDISCERNIBLE 00:39:25] with all areas?

KN RADHAKRISHNAN: All areas. Once we have 25,000, we will cover all cities in India.

AHJID: [INDISCERNIBLE 00:39:45] three wheeler EV, any [INDISCERNIBLE 00:39:47] who would like to share?

KN RADHAKRISHNAN: Three-wheeler EV, we are already tied up with CESL. We will be supplying them and then we will be launching into the market. Very soon, we will be launching into the market.

[00:40:00]

AHJID: Okay. Can we see the [INDISCERNIBLE 00:40:03]

KN RADHAKRISHNAN: You will see in this financial year. That's what I'm saying.

AHJID: Of course. Thanks a lot. Thanks a lot.

KN RADHAKRISHNAN: Thank you. Thank you so much. Thank you so much.

MALE 1: If any other investors have a question, then please unmute yourself and go ahead. So there is just one question that we get on electric vehicles. There's always a discussion about the cannibalization risk because it can be seen as a cannibalization risk at the same time it can be seen as an opportunity expand further. So I do understand that for now the anecdotal data is fairly limited since you are sitting with almost 20,000 [INDISCERNIBLE 00:41:04] and you know the ramp up will be very certain. So A, your production targets on EV that you talked 10,000, are you on track to ramp up that in the coming -- by July or something?

KN RADHAKRISHNAN: Yeah, yeah. We are on track because we are getting more and more confidence from the semiconductor suppliers.

MALE 1: Okay.

KN RADHAKRISHNAN: Otherwise, everything is fine. And on cannibalization, my view is that urban markets you will see the scooter category expanding. What is going to happen is today the scooter category is about 32% to 33% of the total two-wheeler market. I'm of the view that it will go to even 40%, 43%. I say from my experience because like I said scooter is the place which is going to -- electrification is going to start, okay? I'm not saying motorcycle it will not happen, but it is going to start because of the flexibility, the convenience it gives. Multiple usage from home. Father to wife, mother to daughter to son and everybody can use it and flexible on ranges. All benefits are there and typically women various dress codes. It is comfortable in a scooter, okay? I am of the view that more than the cannibalization category is going to expand. Scooter category is going to expand. It is going to be positive, positive for companies like use and of course, this is a great opportunity to seize the developing markets for companies like TVS. It was even in our export we are only in the 70 developing markets. If the EV coming in, we can work all developed markets as well.

DIPIN: And so even within that, one of the things we've seen globally is that there are legacy companies originally face this dilemma of selling EVs aggressively in the starting rate because if you sell a lot, then there is a margin pressure but at the same time if you don't, then you end up missing out on being a market leader in a new category. So, how do you see the balance like --

KN RADHAKRISHNAN: The way we see it is a little different. Any new project for example when we went into three-wheeler business. A couple of years it took for us to come up with a product and understand the distribution and couple of two, three years, we made loss, okay? But today it is very, very profitable. Same way simply when we started Mysuru plant [INDISCERNIBLE 00:43:36] same learning, and we went to Indonesia, you know the story and it is profitable. Like the DV is also an investment for our future. It's a technology, it is a new technology so you will enter some investment. We don't treat these as losses. These are investments for greater success in the future. That is the way we look at it.

DIPIN: And so what about electric motorcycle because that is also like we've seen that everywhere, the industry has taken a lead on the scooter side and we understand the form factor argument the fact that it is a very urban product so what is your take on electric motorcycles?

KN RADHAKRISHNAN: It will happen. It will happen because there are enthusiasts for example in premium category or certain executive category. It will happen. EV is a technology change, okay? Something will happen earlier something will happen a little later, okay? We are very clear that every aspect of area EV will be there. Timing has only changed which will come first and which will come second and third like that.

DIPIN: And recently in the electric vehicle space, we've seen a lot of news flow about safety concerns from the customer side so at company level, EV is known for its engineering capability.

[00:45:06]

But have you seen a little bit of [INDISCERNIBLE 00:45:09] in the market because of the that, that the customers are now going back to reliable brands versus trying out you know these new brands?

KN RADHAKRISHNAN: See, anybody who gives a good quality and safety wins. I am a firm believer in that. So invest in good quality standards, safety standards and keep working not only in the product, experience sales, experience service, experience speaking to other customers I think was the -- every technology has got every challenge. I will put it that way.

MALE 1: [INDISCERNIBLE 00:45:40] just winding up. In fact, we have another five minutes or so so if any of the investors have a question, please unmute yourself and ask. But just to the point of like the last few questions, when you look at FI 23 which is a segment where you are the most bullish in terms of growth because we have seen exports doing well. We have seen domestic also after a very tough time now, you know supply chains you think doing well, but which segment do you think is going to lead on growth in the coming year?

KN RADHAKRISHNAN: See, we have always seen -- I think you have said already exports will continue to do well. Premium segments in India will do well, but I am also saying that the rural will come back this year, okay? Because of the stability of income, most importantly income and there are no hospitalization because of the fear of this COVID with a vaccination I think it is moving a bit and with good monsoon and the agricultural produce prices becoming stable, I think the confidence level -- because India if you look at it rural majority is self-employed, okay? They have to go out and work so not only they will earn money, they need money.

MALE 1: Correct, correct.

KN RADHAKRISHNAN: And the schools will reopen. One of the good news is school is reopening. So schools reopening is a good news for our scooter.

[OVERLAY]

KN RADHAKRISHNAN: There are positive things, okay? There is only one negative thing which is the cost going up, regulations and the insurance going up. These are all challenges.

Unfortunately, all have bundled up and happened in the last 12 to 18 quarters out of that quarters have been pandemic. If it was craped out, nobody would have realized it, okay? I'm pretty confident that four-wheelers in the long run they will do well and exports market you know very well we represented it is going to do well.

MALE 1: Overall, just on the cost pressures, we've seen pretty good performance. In fact, the across industry like March everybody had recorded high EBITDA per unit or gross profit per unit, but then again there's a little bit of a lag impact on commodity that comes through. But again, we've started to see some cool off on commodity side so where exactly are things in terms of headwind versus price hikes taken?

KN RADHAKRISHNAN: See, this commodity versus price, if you build good brands, I think pricing is not a problem, okay? I mean to see one consumer saying that I will not allow process to go up, okay? The challenge is two according to me, the semiconductor even in the IC sector. For example, if we [INDISCERNIBLE 00:48:29] problem on semiconductor availability for Raider and Apache, our premium products, you have to supply to the market because these consumers are very young, they want it. And there is always something which is not passed on to the customer, but we can always look at a variation strategy. We can look at cost reduction. When the volume goes up, many things we can work out. I'm not so much worried about headwinds on commodity. It will be there so we have to -- please understand, I'm not so much worried about every quarter. I look at the long term. One quarter you are not able to increase prices on common rate. You focus on the new products and give it to the market and do better than the industry. It will come. It will come. It's not rocket science in my view. I think what is most important is building good brands, customer getting delighted, good revenue. Top line is there, every line we can make it happen.

MALE 1: Yeah. But that is actually what we have seen in the last few years, right? From your market share, the way it has grown in scooters and motorcycles --

[OVERLAY]

KN RADHAKRISHNAN: Five years back, how many key products we have? Today, how many key products we have? We have Apache.

DIPIN: Yeah.

KN RADHAKRISHNAN: We have Ntorq. We have Jupiter. We have now Jupiter 125. We have Raider, HLX series, TVS King come on. I think the role of all of us is to build very, very strong brands.

[00:50:02]

MALE 1: Yeah. That clearly has been at the center of your growth story. But I think with that, we will also run out of time.

KN RADHAKRISHNAN: Thank you very much and anyone who is coming near Bengaluru or you're coming here, kindly let us know. You can visit and spend some time in the next week.

MALE 1: Yeah.

KN RADHAKRISHNAN: Tell us in advance so that we can host you. I can be there and I can interact with the group.

MALE 1: Yeah. Thanks a lot.

KN RADHAKRISHNAN: Thank you all for --

MALE 1: Thanks a lot. Everyone, a good day ahead.

KN RADHAKRISHNAN: Thank you. Thank you so much.

MALE 1: Thanks.

[00:50:36]