



“TVS Motor Company Limited  
Q2 & H1 FY '26 Earnings Conference Call”

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LIMITED  
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**MODERATOR: MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI  
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**Moderator:** Ladies and gentlemen, good day, and welcome to TVS Motor Company Limited Q2 and H1 FY '26 Earnings Conference Call hosted by B&K Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

**Annamalai Jayaraj:** Thank you, Iqra. Welcome to TVS Motor Company Limited 2Q FY '26 Post Results Conference Call. From TVS Motor Company Limited management, we have with us today K. N. Radhakrishnan, Director and Chief Executive Officer; Mr. K. Gopala Desikan, Chief Financial Officer. We will start with opening remarks by K. N. Radhakrishnan, to be followed by question-and-answer session. Over to you sir.

**K. N. Radhakrishnan:** Good evening. Good evening, everyone, and thanks for joining us today. First of all, festive season greetings to all of you, your family members. We are extremely glad to announce that the company continued its growth momentum and posted highest ever quarterly phase, both in ICE and EV. And we also achieved the highest revenue and EBITDA and profit.

During the quarter, the company's sales volume grew by 23%. Revenue grew by 29%. Operating EBITDA grew by 40% and operating PBT grew by 44%. We would like to sincerely thank our customers for this significant milestone.

Let me now get into more details about the second quarter. In terms of sales during this quarter, company's operating revenue grew by 29%. It's at INR 11,905 crores as against second quarter of last year, INR 9,228 crores. Two-wheeler domestic ICE sales grew by 21% compared to Q2 of last year. This is against an industry growth of 8%.

Two-wheeler international market, company sales grew by 31% over last year against an industry growth of 26%. The total ICE sales grew by 23% compared to Q2 of last year against an industry growth of 11%. EV two-wheeler sales grew by 7%. It's at 80,000 units as against last year, 75,000 units during Q2 despite challenges in the magnet availability. Total sales of 3-wheelers grew by 41% to 53,000 units as against last year, 38,000 units during the last year's second quarter.

On profits, the company's operating EBITDA grew by 40% at INR 1,509 crores as against EBITDA of INR 1,080 crores during Q2 of last year. Company's operating EBITDA margin improved by 100 basis points, 12.7% as against 11.7% during last year. During last year, the entire year's PLI benefit of '24/'25 was recognized in Q4. On a normalized basis, Q2 last year, EBITDA would have been at 12.2%. So year-on-year, if you normalize PLI, the EBITDA margin improvement is 50 basis points.

The company registered PBT of INR 1,226 crores, recording a growth of 37% during this quarter as against INR 897 crores in the second quarter of last year. Profit after tax grew by 37% to INR 906 crores as against INR 663 crores during second quarter of last year. The first half of this year, company's operating revenue grew by 25%. It's at INR 21,986 crores as against INR 17,604 crores during the last year's first half.

PBT for the first half of the year grew by 36% at INR 2,279 crores as against INR 1,680 crores during the first half of last year. Profit after tax grew by 36% and it's at INR 1,685 crores during the first half of this year as against INR 1,240 crores of first half of last year.

Coming to TVS credit. H1 financial year '26, TVS Credit achieved a significant growth in consumer and retail financing driven by the GST 2.0 implementation and increased sales of consumer products, deeper market penetration, enhanced market share in existing geographies. TVS Credit disbursed loans of over 25 lakh new customers bringing its total customer base to over 2.13 crores.

The book size of TV Credit is at INR27,807 crores. TVS Credit PBT for the quarter grew by 28% and is at INR 277 crores as against last year's second quarter, INR 217 crores. TVS Credit maintained its focus on risk-calibrated growth across product categories and is working to build a diversified group by scaling up and increasing penetration of existing products, expanding product offering, distribution, enhance the customer experience and operational efficiency.

Now coming to new product launches from TVS Motor Company Limited. We launched TVS Orbiter. Orbiter is India's smart, sustainable and Urban EV commute with a strong blend of technology, style and practicality. This is primarily focused on young urbanites who are thinking vehicles that are very optimistic -- optimal in terms of design, very operational, strong blend of technology, style, practicality. It is a different segment. All of you know that we have iQube in the scooter segment.

It offers several segment-firsts such as 158 kilometers of IDC range, Cruise Control, Hill Hold Assist, spacious 34 liters boot space, host of connected features and the industry first 14-inch front wheel for enhanced stability and ride comfort. It has come at a very attractive price point of INR 99,900, We are now starting -- expanding into Maharashtra. We started with Karnataka. And over a period of time, it will be available all India.

Another launch, we had a TVS King Kargo HD EV. This is into cargo mobility. All of you know that we had TVS King EV, which was launched approximately about 6 months back. This HD EV Kargo -- it is primarily focused on urban logistics with the purpose that deliver strength, space and sustainability. This versatile 3-wheeler is designed to set new benchmarks in this segment, combining smart features, high load capacity, superior comfort, refined economics and robust safety standards.

Lot of segment-first features like spacious cabin, fully rolling windows, stylish door trims, improved ventilation and dedicated power gear mode that delivers superior torque under load. It comes top speed of 60 kilometers per hour, 6.6 feet long depth along with very good range of

156 kilometers. It has got TVS Connect Fleet platform and this will enable the businesses to optimize operations while enhancing the everyday experience of vehicle operation.

TVS Ntorq 150. All of us know the TVS Ntorq 125 all of you know. This is the most powerful TVS scooter ever, TVS Ntorq 150, India's quickest first Hyper Sport Scooter. 150 Ntorq sprints from 0 to 50 kilometers in just 6.3 seconds, and it has got a top speed of 104 kilometers per hour. It's the quickest scooter in its class. It definitely draws inspiration and insights from feedback from our riders. It is a step forward, strengthening our scooter portfolio for combining race inspired performance, advanced connectivity, several first-in segment features that enhance safety controls.

It has got a multipoint projector headline, sporty tail lamps, aerodynamic winglets, especially stubby muffler, distinct signature sound and naked handlebar and many, many features, which will definitely delight young customers in this segment.

Apache RTX, which was recently launched. This is an adventure rally tourer. This is a very superior premium offering from TVS RTX - Apache RTX. I'm very sure this is going to give new opportunities, possibilities of exploration, off-roading and self-discovery for many of our customers.

All of you know that Apache is a legacy brand and it has got many exciting features and RTX will further enhance in the world of adventure touring. All of you know that TVS Apache has crossed 20 glorious years of iconic achievements. To celebrate this legacy, we have introduced exclusive limited edition model across Apache lineup. RTR 160, 180, 200 and as well as RTR 310, Apache RR 310.

Thanks to all the customers. Apache has been a benchmark of performance in the motorcycles in India. It comes with new premium trims and it is standing as a true leader in the core segments. The new Apache 4V variant is sitting on the top, and it gets added features like cutting-edge projector headlamps featuring LED DRL, vibrant all LED lighting, 5-inch connected cluster, traction control systems and so on. And we are very proud and we would like to thank the global community of 6.5 million Apache riders.

And I'm very sure Apache RTX will further delight many of our customers going forward, both in domestic and international.

Looking at the Q3, I think we have seen the first half of this year, the growth was around 2%, urban was slightly higher around 3.6%, rural was only 0.6% growth. Thanks to the government for the GST reduction. I think this is going to definitely help and it will accelerate consumption across various goods and industries.

And since it is across many of the commodities and some of the auto vehicles, I think it is going to give a multiplier effect going forward. We definitely thank Government of India for this progressive reform. We have passed on the full benefit of GST rate reduction to our customers across the right portfolio.

All of us have noted that IMF has already revised India's GDP forecast from 6.4 upwards to 6.6. And all of us know that this year, above normal monsoon will definitely help the rural. Season, we have seen very good positive momentum, The festive season, VAHAN industry has grown 24% and we have exceeded our growth above 32%. Both rural and urban have grown. We are expecting Q3 with the GST benefit to have good momentum in terms of growth, and this is also likely to get benefit in the Q4.

Overall, we are expecting about 8% growth in the ICE segment. During the quarter, on EV, all of us know that there were many challenges on the magnet availability. Industry grew by 8%, and we have an excellent offer in iQube. Our iQube has already crossed 700,000 units in domestic market, and this is a prominent brand in Indian market.

I'm very sure the newly launched TVS Orbiter will further provide impetus to TVS EV 2-wheeler business and very confident that it will be available all India by start of Q4. Magnet availability continued to pose challenges in the short and medium term. On EV commercial mobility business, all of us know that we have started doing extremely well with the TVS scheme.

And I'm very confident that the Kargo HD EV will further strengthen it. So far, the feedback has been excellent. Our VAHAN share in the EV 3-wheeler has already crossed 11%. And as I said earlier, we would like to be a very prominent player in the EV category 3-wheelers.

On Norton, we have recently unveiled the first official design sketch of all new flagship Super Bike as a part of the resurgence campaign, signaling the design direction for an all new generation of motorcycles from Norton. Company will reveal the new motorcycles in EICMA next week in Italy, led by new Super Bike, new design philosophy and the reimagined brand identity. We are planning to launch Norton products in India by April 2026.

We'll have a differentiated retail strategy in India, covering Norton and some of our premium TVS vehicles. We will connect with different retail formats that are uniquely catered and offer superior and differentiated experience. And in Europe, Norton has already started planning for the distribution system. I'm very sure 2026, you will see Norton product and it is going to definitely redefine the super-premium categories all over the world.

On International business, during Q2, TVSM posted highest ever quarterly sales of crossing milestone of 4 lakh units, 400,000, driven by strong growth in major markets. As I indicated in the last call, Africa is growing, the demand is growing, and we are witnessing increase on quarter-on-quarter sales. LatAm region is also growing with strong demand in many markets in LatAm.

We are still a nascent player in this market, but we are growing faster than the industry with the kind of product range what TVS have. We are confident of growing ahead of the industry in this region and becoming a prominent player in the coming periods. In Asia, major markets are continuing to do well. Sri Lanka and Nepal are growing in numbers quarter-on-quarter. We are also strengthening our network in Bangladesh, and this will also improve our presence in Asia.

To conclude, in Q3, we had good growth across ICE, EV segment, we are anticipating that the industry will continue to grow and thanks to the GST rationalization, this is going to help us. In

International market, definitely, we will do better than the industry and the market is also likely to do well.

On the product portfolio, all of you have seen the new product launches from TVS Motor Company Limited. They are all accepted very well in the market. It comes with excellent quality, very attractive features in technology, and we are very confident about outperforming the industry, both in domestic and international markets. The EV segment in 3-wheelers have started doing extremely well for us, and we are very confident that we'll start growing ahead of the industry here as well.

You have seen our EBITDA journey. We have moved from 11.7% to 12.7% in this quarter. Company is pretty confident that we will continue to leverage scale benefits, better product mix and sustained effort on cost reduction, and this will enable us to further improve the EBITDA going forward. Thank you.

- Moderator:** Thank you very much. The first question is from the line of Kumar Rakesh from BNP Paribas.
- Kumar Rakesh:** My first question was on the impairment charge, which you have taken in this quarter. Can you help us understand for which entity that is related to? And if all the entities have gone through the fair value assessment during the quarter?
- K. N. Radhakrishnan:** There is no impairment provision in this other income.
- K. Gopala Desikan:** No, there is the impairment provision considered here. And to answer your second question, we do get a fair valuation of all the companies and only based on that, the consolidation happens. And what you see as a small number of a notional loss is nothing about the fair valuation of TVS Supply Chain shares. In the past quarters, we have been recognizing a notional gain. And because of the market conditions, there was a fall in the price, and that loss has been recognized.
- Kumar Rakesh:** Got it. My second question was on the overhead cost in this quarter, especially other expenses. So we saw revenue increasing sequentially by 18%, but we haven't seen that benefit of that reflecting in terms of margin expansion to that extent or the overhead cost helping us lower the overhead cost. So what led to this additional expenses in the quarter? And how should we see that in the coming quarters as you are expecting the growth to sustain in the second half?
- K. N. Radhakrishnan:** There are unique costs, but before that, let me give you a total, other expenses include variable expenses also, including packing, freight which has gone up by about INR120 crores due to festive season, And R&D expenses for this quarter went up by about INR 20 crores, INR 25 crores. Marketing expenses, all of you know that we had 2 launches including 3-wheeler, if I say, there are 3 launches and the costs are higher by about INR 65 crores.
- So these are investments for the future. So we don't want to look at whether it is brand expenses or R&D expenses, which are definitely for investments for growing the top line and doing better than the industry. Other than that, it is only packing and freight expenses due to the festive season additional costs.

- Kumar Rakesh:** Got it. So if - so INR120 crores of packing costs relative to festival season, which you're calling out, so it should normalize once the demand supply also starts matching up in the coming quarters. So that's fair to see.
- K. N. Radhakrishnan:** Absolutely, absolutely.
- Kumar Rakesh:** Got it. Just one final clarification on the ABS side. Anything incremental that you have understanding of and what would be our response to that in terms of portfolio impact?
- K. N. Radhakrishnan:** ABS you're asking about antilock brake system, right?
- Kumar Rakesh:** That's ABS, yes. The mandatory implementation.
- K. N. Radhakrishnan:** Yes, ABS the discussions are going on with government, Once we have better clarity on that, we will come back to you. But please remember, last time also I highlighted that in TVS, rider safety is very important, We give highest priority for safety. And we want to make sure that our customers are fully safe and they enjoy the riding.
- Moderator:** Thank you The next question is from the line of Chandramouli Muthiah from Goldman Sachs.
- Chandramouli Muthiah:** My first question is just on the gross margin. So in spite of higher commodity prices quarter-on-quarter, we've delivered almost 100 basis points of gross margin improvement. I just want to understand what are some of the factors which helped you deliver that superior gross margin performance Q-o-Q in spite of some of those commodity prices?
- K. N. Radhakrishnan:** I think the most important is top line. I always believe that when the top line comes, you can get a better cost reduction, So material cost, we were able to get better reduction, And if you look at --we were able to also take some price increases based on some cost increases, And the product mix to a large extent, is supportive. But if you ask me the real is that top line growth, top line growth resulting in overall cost optimization.
- Chandramouli Muthiah:** All right. That's helpful. Second question is just related to the pay commission formation. So it looks like a few hours back, the government has formed the 8th pay commission. I just want to understand in your experience, typically, it takes close to 18 months for the pay commission to submit recommendations. But this time around, it looks like it might be more expedited. So I just want to understand what your thoughts are on the potential tailwind for industry growth and benefit for TVS from a potential pay commission over the next 1 to 1-1/2 years?
- K. N. Radhakrishnan:** Let me understand it much more deeply. But in our view, this GST whatever has been done will definitely support the industry, And any kind of extra income in the consumer's hand is going to definitely help, So overall, I am quite optimistic about Q3 and Q4 for 2-wheeler industry.
- Chandramouli Muthiah:** That's helpful. And just lastly, now I think exports is close to 30% of our volume, almost 25% to 26% of our quarterly revenue growing faster than domestic. So are we at a stage where export profitability is similar to now domestic business profitability and in color there? And also if you could just share exports and spares revenues for the quarter?

**K. N. Radhakrishnan:** See, we look at profitability in totality, because we have to look at the portfolio. And whenever we look at in totality, you will see 11.7% EBITDA has gone to 12.7%. And we have always invested behind product development, marketing, brand building, and even if you look at it last time, I told you that we have set up a Dubai office for now really going closer to the customer because we know that international business is very, very important, and we need to invest.

So we have moved many of the key people in Dubai, and we are also now looking at establishing specific focus in specific countries because we need to have very deep customer understanding, and we felt that, that is very, very critical. So we always invest whatever is right for the company given our strategy for the future. So that will continue. Now in terms of spare parts revenue, you asked for IB or total? Total, right?

**Chandramouli Muthiah:** Total business, exports and spare parts.

**K. N. Radhakrishnan:** INR 1,073 crores is our spare parts and exports is about INR 2,885 crores.

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

**Pramod Kumar:** I thank for the opportunity congratulations, sir, on a good set of performance and the kind of product actions you're doing. My first question is on the post GST cut consumer trends, any shift of what you're seeing on the ground in terms of whether are we seeing a strong revival in the entry level segment as first-time buyers come back?

Or are you seeing trends of scooterization and premiumization kind of getting better? If you can share any color you have from the post-GST demand trends what you see in the market, sir? And any color on rural versus urban? Because earlier, you would get call out scooterization picking up in the rural markets. So if you can also share some color on that, that would be really, really helpful.

**K. N. Radhakrishnan:** See, this year, normally, there is a pre-season, which is a short period which is -- the sales always goes down. And there is Dusshera, Diwali period, Fortunately, thanks to government, they did announce the GST cut also just before that. There are 2 elements of when I compare like-to-like, like-to-like when you compare last year to this year.

We can't just take that this is going to be the standard growth rate, which is going to be there. But the industry is growing season to season, suppose I take last year Dusshera plus Diwali season, I know all of us know that the entire season VAHAN is not has come fully, registrations have not happened fully. But by, let's say, middle of November, everything will get done. But the initial feel is very positive.

So far, if I look at season to season, the industry has grown by 24%, and we have grown by 32%, which is a good story. And rural industry also has grown by 22%. Urban is growing little ahead, 26%. But this GST is going to help. It is not only in auto, I think they have done across. So there is going to be a multiplier effect.

That's the reason I said Q3 and Q4, if I look at the 2-wheeler industry is likely to grow around 8%, which according to me is a good number because last year, we had a good base on top of it,

growth of about 8% is going to be very, very positive. So I'm of the opinion that this is going to help the industry.

**Pramod Kumar:** And sir, the trends of scooters or like any subcategories doing better or customers using -- yes.

**K. N. Radhakrishnan:** Scooters continue to do well. I always believe that scooters have got a great opportunity. If you add EV plus ICE already in the category share of scooters, maybe about 38%, 39%. Because if I take Q2 7%, 7.8% is scooters, EV plus about 32%, 33%. So scooters are growing much faster than the industry, which is a good sign, and it will continue.

The momentum will continue. Premium is also doing extremely well, Executive category is also doing well. Economy has started moving up, So I am expecting that you will see improvement going forward. Definitely, you will see. It is too early to give a judgment because GST plus this Diwali, all this happened about a month back in the last 1 month many things have happened. So we should give a little bit more time, but the feel from the market is very positive.

**Pramod Kumar:** Sir. And before I proceed to the second question, I just wanted to clarify the export revenue numbers. Do you mind repeating it, sir?

**K. N. Radhakrishnan:** Just a minute. I think it's INR2,885 crores.

**Pramod Kumar:** INR2,000 crores?

**K. N. Radhakrishnan:** INR2,885 crores.

**Pramod Kumar:** INR2,885 crores. And sir, the second question is related to your increasing product aspirations and increasing geographical aspiration because the way the kind of products you're putting out in the market and the kind of reviews what we're getting. Looks like TVS is kind of preparing for the -- preparing for what do you say, a shift up here in terms of the brand, the profile, the kind of product portfolio and the technology you do have?

So if you can just help us understand how do you see the next 3, 4 years in terms of growth for the company? And also, when I say growth in terms of segments where you will do better or where the focus is and how strong the exports could be as a percentage of volumes compared to where we are today?

And related to that is also the fact that you've already had outstanding decade also in terms of growth and market share gains. So how should one look at all this when you look at the next 3 to 5-year horizon, sir? Is it like we still got a long runway for market share expansion and margin expansion? Or if you can just help us understand the 3-year, 5-year view here. So how do you look at the landscape?

**K. N. Radhakrishnan:** See, we always believe in investing behind the customer. And we want to give best to the customer, whether it is domestic market, international market. We want to delight the customer with new technology, new features, new products, that is TVS. And we have a very strong R&D, very strong new product development team, a very strong marketing team.

So this is something which is core and we always invest behind that. And that is the reason we have invested behind digital team, we have invested behind software team because this is going to be the future. In any business, product is the key. Product is the most important center point. So that is the reason you have seen the number of launches even in the last quarter and recently the RTX also.

And please remember, all these products are also for the global market. And with many of these market reviving, I'm pretty confident that the proportion of business from international market will keep continuing to grow for us, And we will continue momentum on the international proportion. Even some of our EV products we have started exported and these feedbacks are very positive for iQube.

Once we start looking at Orbiter available in India, we will also start exporting that. So strength of TVS is focus on customer, customer, customer. When you focus on customer and give best to the customer, top line is assured. That is why we are able to grow ahead of the industry. And when the top line comes, I'm pretty confident that EBITDA will improve. And we won't compromise in our investment.

That's where I am not using the word costs. Investments in people, investment in technology, investment in brand, investment in building new technology capability that will continue, we will do. And I'm pretty confident, 11.7% has come to 12.7%. You would have seen our top line INR11,900 crores plus. Both our top line will grow -- continue to grow ahead of the industry and EBITDA journey will continue to delight all our investors.

**Pramod Kumar:** Sir, last one. Do you foresee a probability where TVS can become the #1 brand because you are not very far from the number 2 anymore. As in the other product action and the kind of wide spaces you have, is that an ambition you have as a company?

**K. N. Radhakrishnan:** We want every of our customers to be delighted with TVS. We don't put any #1, #2 like that. I always believe that we have to be a prominent player. We have a lot of respect for our competitors, And the customer should get the best. That is the vision of TVS.

**Moderator:** The next question is from the line of Binay from Morgan Stanley.

**Binay:** Congratulations team for another strong quarter. My first question is on the PLI incentive. Last quarter, we had talked about that we will start to get the 3-wheeler PLI also. So could you tell us where is the status? How much was PLI incentive for this quarter?

**K. N. Radhakrishnan:** PLI, we have started getting for all the products, I think it is in line with whatever the government sanctions are.

**Binay:** Sir, would it have gone to like INR60 crores, INR70 crores or so this quarter. The last quarter was around INR50 crores for us.

**K. N. Radhakrishnan:** It will be more. It will be more. Even last quarter, it was more.

**Binay:** Because last quarter, you had said it was 0.5%?

**K. N. Radhakrishnan:** Same. Same, 0.5%. Can be 0.6%. It will be around that.

**Binay:** Of the EV revenues, right?

**K. N. Radhakrishnan:** Yes of the EV revenues. Sorry, of the total revenue.

**Binay:** So it's again this quarter also, it's 0.5% of the total revenue.

And sir, secondly, when you look at stand-alone minus consolidated, we've seen that the loss number has dropped. It was around INR168 crores last quarter. This quarter, it has come down to INR110 crores. Any -- apart from TVS Credit, any commentary you would have on the other subsidiaries?

**K. N. Radhakrishnan:** Subsidiaries have started managing well, So when we started looking at -- you would have seen the overall turnover is 14,000 plus and subsidiaries have started managing well, but it will take time. Many of the subsidiaries will take time to perform. Of course, PT TVS is doing well. TVS Credit Services has been extremely well. TVS Motor has been doing extremely well. So overall, I think you will see -- and with the product launches from Norton next year, definitely, that is also going to help.

**Binay:** Right, sir. Sir, just lastly, the investment number that we talked about last time, shall we -- is it the same INR2,000 crores investment this year, INR1,600 crores.

**K. N. Radhakrishnan:** It will be similar. Will be similar.

**Moderator:** The next question is from the line of Kapil Singh from Nomura.

**Kapil Singh:** Congratulations on a strong performance. On the GST 1 question I had on the electric vehicles. Now what that also does is reduces the gap sorry, increases the gap between ICE and EVs, right? So is there -- like what is your observation regarding EV demand after the GST cut or your thoughts if you have any?

**K. N. Radhakrishnan:** See, post GST, it is too early to make any comment on the EV demand because the EV demand continues to grow. On top of it, we have some constraints because of the magnet availability. So possibly, if the magnets were available, I am very sure industry would have done much, much bigger. It saw only 8% growth.

But so I can't really make a comment on that. And from the profile of the customer who we are saying, I think in the last 3 years, I think customers have started understanding overall EV, they are able to understand the TCO. So to me, they have understood fully that some of the customers would prefer EV, they will continue to prefer EV, So I don't think there is going to be a huge change in the thinking and penetration slowly and steadily will grow for EV.

**Kapil Singh:** Okay, sir. And sir, a question I had on the cost side as well. If you could help us understand on the commodity cost, what was the cost pressure in Q2 and how you are seeing Q3? And similarly, for pricing side as well, both Q2 and Q3, what was the movement?

- K. N. Radhakrishnan:** Q2 -- just a minute. Q2, the commodity increase was about 0.6%. And many of the areas we have taken up price increases almost similar to that extent. And in Q3, we are expecting some increases may not be to the level of 0.6% what you have seen in Q2.
- Kapil Singh:** Okay. And sir, on the EV side, can you let us know what is your EV revenue? And I just want to clarify that entire EV revenue is eligible and you are accruing PLI for that?
- K. N. Radhakrishnan:** Most of the revenue we are eligible for PLI, INR 1,269 crores is for EV.
- Kapil Singh:** Okay. So we are accruing 13% of that?
- K. N. Radhakrishnan:** I told you INR 1,269 and we are eligible for whatever government sanctioned that PLI we are eligible.
- Kapil Singh:** Yes. Because it adds up to much more than 0.6%. So I just was trying to understand why is there a difference?
- K. N. Radhakrishnan:** Sure. You should also look at the turnover, the supplier-related component you have to remove. You cannot just take the revenue and then put a percentage on that.
- Moderator:** The next question is from the line of Gunjan Prithyani from Bank of America.
- Gunjan Prithyani:** Just a couple of follow-ups. On the EV business, can you just share some thoughts on where we are on the profitability. Now I know you've been mentioning this is still at the very early stages and product introductions have been made. But if you can just talk us through on where we are on cost curve and how do you see the margin for the business panning out?
- K. N. Radhakrishnan:** Our margins are positive, I told you last time. We look at investment and this is something like a new technology, new product. And overall, we look at how the EBITDA of the company is moving. So you have seen that 11.7% becoming 12.7%. And as you see, our proportion of EV revenue is also growing.
- And that is what we always focus on, And I'm very sure, going forward, more and more the gross margin will go up, We look at in totality, the portfolio contribution. We look at totality the EBITDA of the company. In principle, a new country when we enter you look at overall, are we gaining total volume because we have to invest somewhere and the results will come maybe a couple of years later, 2 years later, 3 years later.
- So EV is going through that journey, but we are extremely happy on the EV journey so far because both 2-wheelers are doing well. 3-wheelers, we have now come to about 11% market share in EV 3-wheelers and it will grow further. And all of you know that now 30% of the L5 category 3-wheelers are already EV. And in that, we are gaining market share month after month. So it's a great story and a journey.
- Gunjan Prithyani:** Sir, when you say positive margin, you mean that at the contribution margin level? Or is it at the EBITDA margin with PLI, we are positive?
- K. N. Radhakrishnan:** Contribution.

**Gunjan Prithyani:** So EBITDA, we are still away because business is at a lower trade of volumes right now. Is that a fair assessment?

**K. N. Radhakrishnan:** If you look at the portfolio, we invest for today for tomorrow, please remember that. And we look at overall, as I said, this is one of the best quarters where we have done INR11,900 crores and EBITDA is 12.7%. This is also the highest.

**Gunjan Prithyani:** Okay. And sir, just on the investment book, one, what you've invested in this quarter, INR550 crores. Can you give us information on where -- what subsidiaries? And Norton, you brought up in your initial comments that now the products are going to be unveiled. Can you also talk about the plans for India? Is that something in the next 2 years, 3 years framework, we should start to think more seriously about making Norton product introduction and some strategy around that?

**K. N. Radhakrishnan:** See, predominantly, the investments are towards Norton e-bikes and also setting up the Dubai office. Because Dubai office, we want to take international to the next level. We felt that it is very, very strategic to have the team there. Many of the understanding of the deep understanding of the customers, it is very important that we are closer to the market.

So that is the reason we have put about INR550 crores during this quarter. This is the breakup. Now coming to Norton, products are getting ready. I think I don't know whether you are visiting Milan. Next week, we are unveiling some of the products there, You can enjoy those products, and I'm very sure the SOP and the launch is going to happen sometime last quarter of this year or early first quarter of next year.

And you will see these products in India. And I'm very sure this is going to really delight the super premium customers globally. Closer to the launch, I think we will be able to give you the strategy, what kind of products and which segments and how we are looking at what is our marketing strategy going forward.

**Gunjan Prithyani:** Okay. Sir, best wishes Norton launches. Last 1 question on the channel stock, is there -- is that something which is running low because you just had the surge of demand coming through in a month's time. Is that something that you sense that there is a mismatch between the kind of variance that the customer is looking at and what we've been able to supply in a short duration?

**K. N. Radhakrishnan:** Except for EV, I don't think there is any shortage. In EV, unfortunately, whatever we could get the magnets and whatever methodology we could get it, that is the only thing. Otherwise, we are keeping between always -- we always believe whether the season, non season, we always believe in about 25 days of stock in the market, Of course, for TVS products, the demand is very, very high.

So we are also increasing the capacity, and we will be able to deliver that. So overall, I don't think there is gap in availability. Maybe a few products in few markets because customers love it. These things happen. But EV, I agree there has been a shortage of production and supplies into the market, primarily because of availability of the magnets.

**Moderator:** The next question is from the line of Vipul Agrawal from HSBC.

- Vipul Agrawal:** My first question is on the 3-wheeler network penetration, like how is the network placed at this point in time? And what are your targets for next couple of years?
- K. N. Radhakrishnan:** 3-wheeler, I'm very happy. We have almost doubled our market share. I know we are very small, very, very small in India, but our focus is going to be in totality coming up with the products. And like I said, EV, we want to be a very prominent player like iQube, and our product is very well accepted in the market. And we are focusing on network, including branches, and we are now increasing the network.
- We have added almost -- in this year, we have added almost 100 touch points in 3-wheelers. And we very carefully look at the customer service. We look at TVS, focused on customer service is a very, very important factor for TVS. And we also look at the viability of the network. So we have been steadily increasing, and we are extremely happy that the inflow for the network has been also going very well for TVS, in 3-wheelers side.
- Vipul Agrawal:** Sir, another question is on 2-wheeler penetration. Like how -- what is the trend if you were to take the last couple of years and now, like how is it panning out in rural versus urban like -- initially, it was an urban phenomena. Now we are seeing incremental penetration happening in rural as well. So how it has evolved over the last 1, 2 years? And how do you see the maximum growth will come from now? Like would it be Tier 2 cities or Tier 1 cities or maybe rural in EVs?
- K. N. Radhakrishnan:** See, rural will do well. And I'm very sure this GST reforms is going to help rural and the connectivity -- the road connectivity infrastructure investments in India has been brilliant. So I'm pretty confident that -- and I always believe that mobility needs in India with a lot of self-employed people, 2-wheeler is the best mobility solution. And rural is the most important driver.
- And if I look at proportion 50-50, rural is 50, urban is 50. And it could change some years, it is 51-49, some years it is 52-48 something like that. But overall, I'm very confident that rural will start growing in line with urban. When I put 8% Q3 and Q4, I'm pretty confident that you will see the change in rural going forward.
- Vipul Agrawal:** Maybe if you can give us color on EVs, like how are you seeing EV penetration happening in rural versus urban in last month?
- K. N. Radhakrishnan:** EV just started. Rural also just started. Earlier, everybody focused on urban, mainly the availability dealerships were there in the urban. Slowly, now it is getting into rural. Again, the network will get first and then people will start buying that. So predominantly now, let's say, last quarter was about 7.8% EV penetration, correct? I would say that predominant of that is urban. But going forward, you will see this slowly moving into rural.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.
- Mumuksh Mandlesha:** Sir, I want to understand how we see the impact of GST change on the moped segment and also on the overall 3-wheeler industry, including the ICE and EV?

- K. N. Radhakrishnan:** See, GST definitely is going to help everybody, every segment. On the entry-level segment, approximately, they get about INR7,000 saving. INR7,000 saving for a moped customer or an entry-level motorcycle customer is going to definitely make them attractive. So I'm of the view that with a very good retail financing, this is one of the reasons I'm saying that rural will also start improving going forward. And similarly, you will see in 3-wheeler as well. So overall GST, this rationalization is going to help the industry.
- Mumuksh Mandlesha:** Got it, sir. And also, sir, are you seeing any change in the first-time buyers? Are there more demand from the first-time buyers?
- K. N. Radhakrishnan:** We have to closely watch possibly in the next 3 months, we will be able to do the assessment post GST because it's just 30 days and on that, you had Diwali season. So we can't really segregate the data. I think you have to give a little bit time. But if you ask me, the mobility needs will go up, The TCO factor will play in the minds of the customer.
- Mumuksh Mandlesha:** Got it. Just lastly, sir, how much was the currency benefit in the Q2 quarter? And what was the average INR realization?
- K. N. Radhakrishnan:** I think it's about Q2 has been INR 86.4. No change between Q1 and Q2. Q1 is also about INR 86.4. Can we take one last question, please?
- Moderator:** The next question is from the line of Raghunandhan N. L. from Nuvama Research.
- Raghunandhan N. L.:** Congratulations, sir and festive greetings. First question was on premiumization. For our flagship model Jupiter. If you can give us some sense on premiumization because your 125cc model has been doing very well based on channel checks. Within Jupiter, what would be the share of 125cc model? Would it be over 30%?
- K. N. Radhakrishnan:** First, we want the Jupiter brand. I'm extremely happy for the brand as a Jupiter, this is a very good scooter, which TVS has launched into the market. And thanks to all customers of Jupiter. Earlier Jupiter, Jupiter 125, the current Jupiter 110 and current Jupiter 125. So overall, it has done well. And Jupiter 125 is also doing extremely well in the market.
- Currently about close to 35%, 36% of our current is 125 Jupiter, But I look at it in totality, Raghunandhan. I look at it in totality because as long as overall Jupiter goes up, because customers will decide looking at Jupiter 110 and 125, of course, Jupiter 125 gives extra power. We have to look at it in totality this scooter. I think overall, it's a great story, and we are extremely happy and thankful to every customer of Jupiter.
- Raghunandhan N. L.:** And one follow-up. You indicated that in future, the tailwind of pay commission will also be positive for industry. Roughly, what would be the share of government employees in 2-wheeler industry sales?
- K. N. Radhakrishnan:** It may be small. I don't have the exact data, but these are all positive -- we have many, many factors which are positive, like you said, tailwind. Any tailwind is going to help the speed of the industry. So I'm very positive. This positive sentiment will take it to next level of growth. And I'm a firm believer that 2-wheeler is one industry where CAGR will be healthy going forward.

- Raghunandhan N. L.:** Got it, sir. Just a last question. What would be the time line of listing of the TVS preference shares that was awarded to shareholders?
- K. Gopala Desikan:** It is in the very final stage. SEBI approval is expected. There are no queries and nothing of the sort, more of procedural issues, it should get done.
- Raghunandhan N. L.:** So within the next 3 months?
- K. Gopala Desikan:** No, that should not take so much time.
- K. N. Radhakrishnan:** Once again, festive season greetings to all of you, your family members. You would have seen our growth in top line, thanks to all our customers globally. And we will continue to keep up the same momentum of growth going forward with our products and the brands like Apache, Jupiter, Jupiter 125, iQube, Orbiter, Raider, Ntorq and HLX series, Ronin, Radeon, TVS King, King Kargo and so on and the new products, whatever we have launched recently, we will always invest behind customers best-in-class quality, and we want to really invest in new technology, new products, attractive quality must be quality for the future.
- We will continue to leverage our scale benefits. We'll continue to grow ahead of the industry, and I'm very sure with premiumization, scale benefit, material cost reduction, will continue to grow in EBITDA going forward and delight all of our customers and investors. Thank you. Thank you very much.
- Moderator:** Thank you, on behalf of B&K Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.