



“TVS Motor Company Limited Q2 FY24 Earnings  
Conference Call”

**October 30, 2023**



**MANAGEMENT: MR. K N RADHAKRISHNAN – DIRECTOR & CHIEF  
EXECUTIVE OFFICER, TVS MOTOR COMPANY  
LIMITED**

**MODERATOR: MR. ANNAMALAI JAYARAJ, BATLIVALA & KARANI  
SECURITIES (INDIA) PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the TVS Motors Limited Q2 FY24 Earnings Conference call hosted by Batlivala & Karani Securities (India) Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '^' on your touchtone phone. Please note that this conference is being recorded.

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

**Annamalai Jayaraj:** Welcome all the participants to TVS Motors Company 2Q FY24 Post-Results Conference Call. From TVS Motors Company management, we have with us today, Mr. K N Radhakrishnan – Director and Chief Executive Officer.

I will now hand over the call to Mr. K.N. Radhakrishnan for the opening remarks to be followed by the question-answer session. Over to you sir.

**K N Radhakrishnan:** Good evening everyone, and festive season greetings to all of you and your family members.

I'm extremely happy that the Company continued on growth trajectory both in revenue and profits. And we are extremely happy that we have posted the highest ever revenue, EBITDA and profit.

Revenue for this quarter is Rs.8,145 crores grew by 13%, EBITDA is at Rs.900 crores, grew by 22% and PBT is at Rs.724 crores grew by 32%. During the first half of the year, Company's profit after tax crossed 10 billion, that is Rs.1,004 crores, registering a growth of 38% as against Rs.728 crores during the first half of last year.

And we are extremely happy that two significant global product launches happened in the last quarter; TVS X and TVS Apache RTR 310. I'm very sure that these two launches will delight the customers going forward both in India as well as many markets globally.

**Now, coming specifically to the Quarter 2:**

During this quarter, Company's operating revenue grew by 13%, Rs.8,145 crores against Rs.7,219 crores during Q2 of last year. In the domestic ICE market, Company's sales grew by 4%, 7.35 lakhs as against 7.1 lakh during last year same quarter Q2. As you know we have grown ahead of the industry.

**International Market:**

In the international market, the Company sold 2.39 lakh units, up against 2.52 lakh units in this quarter. Again, we have done better than the industry. We are able to see improvement in terms

of the customer retail in the international market and that will help us also to improve our sales to the market in the international side.

During this quarter, the Company sold 58,000 units of electric vehicles as against 16,000 units during Q2 of last year. Thanks to all our customers of TVS iQube. And the total two wheelers grew by 6%, 10.31 lakhs as against 9.77 lakhs during the Q2 of last year.

Three wheelers, we did 43,000 units as against 50,000 units last year in Q2. Now, overall sales have been much better for this quarter.

**Profit during this quarter:**

The Company's EBITDA grew by 22%; it is at 900 crores as against EBITDA of 737 crores. We registered an operating EBITDA of 11% as against 10.2% during last year Q2. This significant milestone was possible with robust growth in revenue and sustained cost reduction initiatives taken by the Company. The PBT for this quarter grew by 32%, 724 crores as against 549 crores during Q2 last year. Profit for the current quarter includes a one-time other income of 37.5 crores towards higher valuation of investments. Profit after tax during this quarter is Rs.537 crores against last year's Rs.407 crores, growth of 32%.

**Now, coming to First Half Performance:**

The operating revenue has grown by 16%. We are at 15,363 crores as against last year's 13,228 crores. PBT for the first half of the year grew by 36%, 1,334 crores as against 981 crores. PBT for the first half of the current year includes other income of 93 crores towards profit on sale of investments and higher valuation of investment. Profit after tax for the quarter grew by 38% and first time, we have crossed 1,004 crores as against last year 728 crores during the first half of the last year.

**Now coming to New Products:**

I think Raider, the Super Squad Edition inspired by the iconic Marvel Super Heroes, Black Panther and Iron Man, I think all of you know that TVS Raider is doing extremely well in the market. TVS Raider is a distinct sporty motorcycle with powerful traits of Black Panther and Iron Man, will add to its unique positioning and appeal in the market. TVS Jupiter 125 now enabled with SmartXconnect technology, which comes from TVS. It comes with advanced connected features, which is set to create a new benchmark in this segment with first-in-class features for its connected customers. The scooter comes in two new colors elegant red and matte copper bronze with the SmartXconnect variant.

We also launched the TVS Apache RTR 310 globally and it has got an impressive blend of power, agility and style. It comes with many segments as features like cruise control, five ride modes including supermoto mode, climate control seats, five-inch TFT control with first-of-its kind connectivity features and raise tune dynamic stability control.

And we are extremely happy that since the inception of the strategic partnership with BMW Motorrad, both companies have achieved remarkable milestones, setting a new industry standard and delivering exceptional motorcycles to the customers worldwide. This quarter, in this partnership, we have more than 1,50,000 satisfied, delighted global customers.

**Coming to EV:**

TVS iQube continues to receive very positive customer feedback across all markets and continues to improve sales and market position consistently over the last five quarters. We are extremely happy that we are surpassed 2 lakh unit sales mark, and we would like to thank this 2 lakh customers of TVS iQube and it is continuously growing in market share as well. During the quarter we enhanced our production to 25,000 per month and then we will take it to the next level. We have very good booking. Healthy booking continues. We are expanding the availability of TVS iQube in India. At the end of September, we have 337 touch points, and we are now continuously expanding the same. We are also planning to launch a series of products in the range of 5 to 25 kilowatts in the next one year.

All of you have witnessed the TVS X during this quarter and we will start delivering to the customers in Q3. TVS X is just to definitely redefine the way we look at EV globally. This is designed, developed and made in India. TVS X will lead the way to become a global benchmark for a machine that is born electric...it is THRILLELECTRIC.

This quarter, we announced the start of production of BMW CE-02 jointly designed and developed by TVS along with BMW Motorrad and that is also going to be a huge success globally.

With the product line up planned from TVS and continuous improvement in infrastructure, we are confident that we will continue to be a strong player in the EV segment.

**Now, coming to TVS Credit:**

All of you have seen, it's an outstanding performance, the book size has already crossed 23,500 crores. Its portfolio is well diversified, covering tractors, used vehicles, consumer durables, MSME besides two-wheeler. PBT for the quarter grew by 39%, 180 crores against last year's 129 crores in the same quarter of Q2.

When we look at Q3 '23-24 ongoing festival season has started well for us, and it is on a positive note. So far during the Dussehra season we have grown ahead of the industry. The dispersion of monsoon is definitely a little bit affecting the sentiment, especially in the rural, but we are hoping that things should improve in this month and next month.

In the international market, we are witnessing improvement in the retail, and we expect slowly and steadily the momentum will continue and grow, and that will definitely help TVS in a big way. Customers of TVS Raider, TVS Jupiter 125 are extremely delighted, and the volumes of

these products will further enhance our market share and growth both in domestic market and the international market.

As all of you know, we have an excellent product portfolio starting from Apache, Jupiter 110, Jupiter 125, Raider, Ntorq, Star Range, HLX in the international market, Radeon, TVS King in three-wheeler and TVS Ronin. We expect TVS products to definitely grow ahead of the industry, both in domestic and international markets and I'm very confident that TVS X and the recently launched Apache RTR will do very well for the Company.

Overall, we have grown very well in the top line and continuous focus on the premiumization, leveraging the scale benefit, focused work on the sustained material cost reduction. Our EBITDA has reached 11% and we want to continue to have this momentum of growing the top line ahead of the industry and continuously improving our EBITDA. Thank you.

**Moderator:** Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Mr. Kapil Singh from Nomura. Please go ahead, sir.

**Kapil Singh:** I'll just start with the performance for festive season. You mentioned that in the Dussehra season you have grown ahead of the industry. Can you just tell us what would be the industry growth in your estimate and how much has TVS grown during the Dussehra season?

**K N Radhakrishnan:** Today, all of you know the VAHAN numbers there is a lag. vis-à-vis VAHAN we have grown, that is exactly what I said, and we want to continue the momentum and we are definitely looking at the same growth rate to continue for the Diwali season. Possibly, you will see little better growth coming from the rural areas, urban is doing very well. So, we want to really use this opportunity because Dussehra is around the corner in another 10 days and this year we are expecting Diwali also to do well both for the industry and we want to do better than the industry.

**Kapil Singh:** Just on the cost side, we have seen a good improvement in raw material to sales, but at the same time we have seen strong growth in other expenses as well. So, if you could just call out what's going on there, and what is the cost outlook as we look forward or any pricing changes?

**K N Radhakrishnan:** See, we have done extremely well. The combination of some moderate price increases plus when we look at the material cost reduction and the product mix, that has helped us to be better in terms of the margin vis-à-vis last year same quarter. So, I think overall it is moving in the right direction. With respect to the cost, as you know, we had two product launches in the last quarter, which is very, very important because we always invest behind building brands. And areas like salaries... we invest really in EV and also, we are really putting a lot of effort in digital and analytics area, strengthening the Company's software area. So, these are all investments for future because this is something TVS has always done, and we will continue to do that. So, this is something for future and we want to invest behind the brand, we want to invest behind design and development, we want to invest in people especially in these areas of new technology, digital, AI. So, these are the areas.

**Kapil Singh:** Sure sir and if you could just talk about the cost outlook as we move ahead and any pricing changes that we have done during the current quarter, which is October to December period?

**K N Radhakrishnan:** Yes, no price increases so far, but pricing opportunities is something we constantly look at it and I can tell you, thanks to the customers, we are able to appropriately review and take the prices. On cost, I'm of the opinion that this year, next two quarters, I don't think the costs are going to go up. Maybe you make it on some opportunity or slightly soften kind of situation in terms of the material cost.

**Moderator:** The next question is from the line of Mr. Pramod Kumar from UBS. Please go ahead, sir.

**Pramod Kumar:** Continuing with Kapil's question on other expenditure and your explanation of the launches, we wouldn't be having this kind of large-scale launch on a regular basis, right, because here you had two launches, both in the international market, which you've never done before. I'm just trying to understand, is there something which we can expect the other expenses really normalize a bit especially on launch related events and all that going forward?

**K N Radhakrishnan:** Marketing, we treat it as an investment, Pramod, because it is not only product, you have to build TVS brand globally. Like when we presented TVS X and RTR, we said that we want to be not only in the developing economies, we want to be in the developed economies also. So, it requires investment, and we will definitely invest, and we will continue to invest the way the products because the strength of TVS is customer satisfaction, customer delight in the existing products and really focusing on technology and investing in products which are really, really superior in features, technology and delivering that. That requires a lot of investment to communicate across to the customer. So, we will continue to invest. But we will be prudent. If you look at this quarter, we are not participating in the discounts, we are participating in investment to build the brand. So, that will continue.

**Pramod Kumar:** Fair enough sir. The second question is on the international side, sir related to even EVs. If you can just help us understand what is the path for you in terms of taking electric vehicles to the international market, where are we in that journey and what are the kind of milestones, you're looking especially with X coming onboard now, and even the supplies to BMW starting? Generally, if you can just comment on the directional trends on the profitability in the EV business, because scale is something we've been working towards. So, generally are the EV economics of the business getting better with every passing month as you can ramp up volumes, if you can just make some qualitative color on the EV cost structure as well, sir?

**K N Radhakrishnan:** This quarter it's the highest number on EV; I think we have done almost 60,000 EV with this EBITDA of 11% delivered. That is one important point all of you need to know. Second is the international market we have started giving it to some of the markets iQube. Now, in the next two to three quarters iQube should be available in many markets. We want to take it to many markets and at some point, of time iQube will also get into Europe. So, there is a very clear strategy, plan and very clear network plan we have put, and we will take our EV in every market. And of course, the products like TVS X in domestic and international market both developing

and developed markets will be the key. And we are also looking at a pipeline of products in the EV side coming in the next four quarters. So, we will have a range where it will be delighting the customers in Indian market as well, as in the international market.

**Pramod Kumar:** Talking about pipeline, by when do you expect to take the electric three wheeler in the domestic market in new cities and also by when can we expect the cargo version because we never in cargo before with ICE and how is the business opportunity looking here because we don't have much of exposure to the domestic three wheeler market historically, so how should one look at the EV launch, and is it a meaningful volume you're aspiring to get in the domestic market?

**K N Radhakrishnan:** Product is getting ready. I think we are pretty confident that our EV three-wheeler will do well, and closer to launch, I can give you more color on which markets we are planning to launch and how we are going to go about, but we are pretty confident on the three-wheeler EV and when it will be available closer to launch, I'll give you more details on that. We are looking at focusing on three-wheeler definitely because this is one area we need to improve. And three-wheeler in international market, we are doing extremely well and there also we will use this EV three-wheeler going forward.

**Pramod Kumar:** Final one on the investments in subsidiaries, Singapore. Where is this money largely going in, the 237 crores?

**K N Radhakrishnan:** The investments are future. Some investments have gone for TVS Credit Services, almost 100 crores, then SEMG and Norton. And some of the other new investments we have also done in TVS Digital and other investments. So, these are all strategic investments for future. And if you look at during last year Q4, we made investment of almost Rs.300 crores in Singapore and the same was shown at that time as share application money pending allotment. So, please understand, these are investments for future, and we are pretty confident that this will start yielding results going forward.

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

**Gunjan Prithyani:** Just an extension of this investment in subsidiaries. I see two items there. One is invested 236 crores, and one is disinvestment of about Rs.100 crores. Now, disinvestment I'm assuming is for the private equity sale we did during the quarter. Investment break up can you reconfirm again that how much of it is going to TVS Credit and other subsidiaries like, a little bit more color on these two-line items please?

**K N Radhakrishnan:** I gave you TVS Credit Services was almost 100 crores during this period and remaining in Norton and SEMG. So, these are as per plan and other things are for TVS Digital which are futuristic in nature.

**Gunjan Prithyani:** Just trying to get in terms of incremental investments like with Norton or now a lot of spends have been done. So, if I think about outside of TVS Credit the other subsidiaries, how do you see the magnitude of these investments, do you see these incrementally coming down from

where they are right now? Also, if you can share some color on the losses for this quarter, because I see there is a bigger loss from the subsidiaries in this quarter versus what we've seen in the past few quarters, if I look at the just the pure consol minus standalone, 120 crores loss, and within this TVS Credit has been profitable, right, do you see this sort of line item continuing?

**K N Radhakrishnan:** As you know, in Norton, we have a very clear product plan. And any such super premium brand requires not one product, you may have to have a series of products where you need to invest in design, development and product-readiness. That is what is going on and that will continue for the next eight quarters. With respect to this particular quarter, please understand that if you look at the eBike business, I think unfortunately the entire European market is going through less growth, high inflation and that is also affecting the demand. So, whatever the top line we were looking at, there are some stress, but we are pretty confident because these are the things which is beyond your control. When the industry goes through some tough times, you have to be calm and patient and then control all the parameters of the past. But I am very confident that these are the investments which are in the right direction, eBike companies and these are the products which are definitely going to help us in terms of going forward quarter-after-quarter, you will see things changing in the eBike business.

**Gunjan Prithyani:** Bulk of that is coming from the eBike business because of the macro issues out there?

**K N Radhakrishnan:** Absolutely. I think overall there is a stress in the European market. Whatever we have seen in the international market for TVS, first time we are seeing interest rates are 5% and 6% in this market which never we have seen. So, I think this we have to attribute, and we have to be a little bit patient and calm, and we have done the investment in the right strategic areas, and we are pretty confident that we will get once the industry is back and which will happen going forward.

**Gunjan Prithyani:** Just hopping on this, but just the pace of investments in Norton, do you see that substantial has done and incrementally it comes off, like any color on the pace of investments in Norton in over the next 12, 18 months?

**K N Radhakrishnan:** I can give you only confidence by saying that people have asked same questions on PT TVS, when we are consistently now delivering profit-after-profit, thanks for staying back there and thanks for putting the effort on the new products there. You give me a few more quarters, Norton will start delivering very good results for the Company.

**Gunjan Prithyani:** Second question I have on the export outlook. Can you give us a little bit more color as to what you're seeing on the ground, have you seen retail market recovery, little bit color on various markets, what's happening in Nigeria? How big is this EV opportunity, is it more about Southeast Asian markets or is it beyond Southeast Asian markets?

**K N Radhakrishnan:** International markets, according to me, including Africa we saw many times in terms of currency revaluation and also currency availability. Slowly, it is settling down, settling down. So, I am of the view that now the retails are picking up. We should understand that the entire African market is all about taxi. Commuting will happen. There are investments behind road infrastructure and



many things are happening. At this point of time, please understand there is a stress in the market, but according to me the worst is over, but for the recovery you have to be patient. But what is good about TVS is, we don't keep more stocks in the market, we align with the retails in the market and I'm pretty confident that the retails are growing for us, and we will also grow in line with that, our numbers will also grow. Little bit more patience is required because many of these markets have gone through high inflation. All the challenges of some of the side effects of the war, whatever we have seen, I'm pretty confident that slowly and steadily you will see month-after-month, quarter-after-quarter, this developing market is coming back. On EV, in my opinion, ASEAN markets and African markets will move towards EV. There are early signs. But what is most important is we need to invest behind products and invest behind customers because market-by-market, we have to look at what is the product which is liked by the customer. Like we did iQube, like we are now doing TVS X, like we are now coming up with the four quarter, six quarter product plan. I think this is very, very important, and that is strength of TVS. We invest behind R&D, we invest behind marketing, we invest behind products and most importantly, we work for the customer, because customer makes us succeed, nothing else. You focus on the customer, I'm pretty confident that, be patient one or two quarters we will succeed.

**Moderator:** The next question is from the line of Mr. Chandramouli Muthiah from Goldman Sachs. Please go ahead, sir.

**C Muthiah:** My first question is on the product mix. I think this quarter, the Raider and Jupiter have done extremely well, maybe slightly at the cost of the Apache. So, just trying to understand, are we seeing customers incrementally switch to the Raider from the Apache platform? I just want to understand your thoughts on how the mix is being managed?

**K N Radhakrishnan:** First of all, it is not at the cost of Apache, let me clarify because Apache has a completely different set of customers, different set of brand. Raider, we focus on different set of customers and definitely there is no interaction between Jupiter to Apache. So TVS is focusing on the customer separately, and we focus on very, very clear segmentation of the customers. Apache is for certain set of customers, Raider is for certain set of customers, and Jupiter is for certain set of customers. What is most important is, we have to focus and deliver the number, which is what is happening, and we are extremely happy, the way in which Apache is also moving in the market, Raider is moving, Apache is moving, Jupiter is moving. We are definitely looking at improving the product mix going forward. Quarter-after-quarter you will see. I always tell you that we don't keep more than 25 to 30 days of stock. Because we want the fresh vehicle to go to the customer. So, we moderate based on our customer retail, our dispatch plan and we want to adhere to that very, very strictly. And as you know, we are completely cash-and-carry even in the domestic market. We don't give any credit. So, this requires some ups and downs, because we align with our principle of giving fresh vehicle to the customer. That doesn't mean that some dispatch goes up, it affects something else. That doesn't happen in TVS. I hope I have clarified.

**C Muthiah:** My second question is on the product pipeline that you spoke about earlier in the call on electric two wheelers. So just trying to understand, I mean, we've had a successful launch of the iQube, we've launched more premium TVS X. So, in terms of covering maybe some of the lower price

point electric two-wheeler categories, maybe slightly lower KWH or battery formats, over the next four quarters, could you just outline some of your plans, is it sort of one product per quarter sort of run rate that you are referring to before or any color around that pipeline would be extremely helpful?

**K N Radhakrishnan:** You have seen our ICE product range starting from Jupiter, you have seen Ntorq, you have seen now Jupiter 125. So, our principle will be to look at the customer segments and focusing on that. To me, price and kilowatts are just inputs which customer doesn't see, customer see product, they see the total cost of operation, they look at, the overall package... price is only one element and kilowatt is only another element. You have to look at holistically. Like I always say, iQube is Jupiter for that customer. He gets all the benefits of 110 or 125cc Jupiter with completely connected, all the benefits of EV. So, customers look at from that point of view and then exactly the way we look at also from the Company side. I promise you closer to launch I'll give you next four quarter plan for which product, which quarter we will be coming up with.

**C Muthiah:** Just lastly, I had a housekeeping clarification. If you could just share the export and the spares revenues, please?

**K N Radhakrishnan:** I think this quarter our export revenue is about 2,008 crores and the spare parts is about 765 crores. Whatever number I am giving is for Q2.

**Moderator:** The next question is from the line of Amin Pirani from JP Morgan. Please go ahead, sir.

**Amin Pirani:** My first question is actually on the TVS X. You have launched it at a very, very high price point. So, given the customer feedback that you have received till now, what do you think the potential of such a product in India? And should we view it more as a product for the export markets like Europe and ASEAN?

**K N Radhakrishnan:** See India, according to me is the biggest market. Premium and super premium is going to be order of the day in India. India is the first market for any product for TVS. So, TVS X will do extremely well because this is a premium electric crossover and it is definitely, definitely going to have many things which are first-of-its-kind. And please remember, price is only one day result. Customer looks at a package. And when he looks at the package, there are so many things which are new in TVS X. I'm very sure it is going to delight the customer. It is going to redefine completely the premium products in India. It is completely something we all of us can be proud... designed and developed and made in India. There are so many global benchmarks in that. So, it is going to redefine the super-premium and premium category not only in India, definitely this is the product which will be also launched in every market including developed markets. So, we have a very clear strategy saying that TVS X is going to redefine India. It is also going to be redefining TVS in the global markets, I would like to put it that way.

**Amin Pirani:** If I can add, any initial feedback because I think you showed a version of this at the Indonesia Motorcycle Show recently in partnership with some Singaporean Company, ION Mobility, any initial feedback and any timeline for launch in that market?

- K N Radhakrishnan:** Very positive. First, we have to deliver the numbers in India which we are planning just after Diwali as we promised, and then possibly next year we want to start in many markets including Indonesia, I would put it like that.
- Amin Pirani:** Just lastly, one question on Norton. I think you have finally launched the newly engineered vehicles like the Commando in the UK market. So, again, any initial response from customers as well as any timeline for a global launch including India?
- K N Radhakrishnan:** See, all of you know that Norton had so many customers demanding many products. So, we are trying to meet some of the pending requirements from some of these customers. That is why we have delivered this product. Now, we are completely redefining using Norton's team and TVS team to come up with a very prudent product plan for the super-premium category. Work has already started. Very clear line up has been put in terms of the products and when it will be delivered. I'm very happy the way we are investing and putting the products, and I'm pretty confident that going forward, you will see this product coming into the market. Closer to readiness of the products, I can share more information, but rest assured Norton is going to delight the customers globally.
- Moderator:** The next question is from the line of Mr. Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead, sir.
- Jinesh Gandhi:** Hi sir, a couple of clarifications. One is, you indicated that we have invested Rs.100 crores in TVS Credit Services over and above divestment of Rs.100 crores, which happened, we've invested Rs.100 crores separately.
- K N Radhakrishnan:** Repeat your question?
- Jinesh Gandhi:** Our notes-to-account says that we have divested Rs.100 crores in compulsorily convertible preference shares of TVS Credit. So, beyond this we have invested Rs.100 crores as well, is it?
- K N Radhakrishnan:** No, no, no. See in Q1 we invested 200 crores and in Q2 we have disinvested 100 crores. So, the net is 100.
- Jinesh Gandhi:** Given that we have already invested about 850 crores in first half, how do we look at total investment budget for FY24, we're earlier looking at 800-1,000 crores, but we are already at about 850 crores in first half, so how do you look at the investments for the full year?
- K N Radhakrishnan:** First half is Rs.623 crores, correct. And whatever we gave a guideline that this year we will be looking at close to 800 crores to 900 crores, that will be the type of investment we will look at.
- Jinesh Gandhi:** CAPEX will still remain at about Rs.1,000 crores, right?
- K N Radhakrishnan:** CAPEX majority is going to be on the EV side.

**Jinesh Gandhi:** For Apache, we have seen some bit of weakness in wholesale volumes in the recent months. Is there any supply side issue there or -?

**K N Radhakrishnan:** Again, I'm repeating, Apache is for a different set of customers, and we are seeing excellent pull in the market. But please understand, we have to look at the market in terms of different, different customer segments. In different, different customer segments we are seeing Apache moving in the right direction, there would be no issue. And Raider is for a different set of customers. There also is moving in the right direction. But please remember, we normally look at keeping 25 to 30 days of stock and we want to continue to give the fresh vehicle to the customer. That we keep moderating depending upon how the customer retails are happening in the market.

**Jinesh Gandhi:** But is there any production-related issue there given that -?

**K N Radhakrishnan:** Absolutely no issue,

**Jinesh Gandhi:** Lastly, if you can share the USD/INR rate for the quarter.

**K N Radhakrishnan:** It is about 82.5.

**Moderator:** The next question is from the line of Mr. Mumuksh Mandlesha from Anand Rathi. Please go ahead, sir.

**Mumuksh Mandlesha:** Can you talk about the new markets' expansion potential like Venezuela, and can you talk about the other major markets, which Company plans to enter going ahead, which are the major markets which are not yet not addressed by the Company?

**K N Radhakrishnan:** See, let's say only look at Venezuela, I think there is a great opportunity for the kind of products what we have in the LATAM market. The size of the LATAM market is so big and TVS has got the best range. So, we have started the journey focusing on leveraging Apache, leveraging Raider, leveraging our Ntorq, we are also trying to leverage some of the products from Indonesia. So, the next strategic focus will be LATAM countries. So, you will see disproportionate focus in the LATAM market because it is a market which will do extremely well for us in the future. I think we started focusing earlier in Africa. Africa is doing very well for us, and we have started focusing on LATAM. So, this is a great opportunity for TVS to establish in a big way in LATAM.

**Mumuksh Mandlesha:** Also, can you talk about the volume potential for the BMW CE-02 for the India and the global markets, sir?

**K N Radhakrishnan:** BMW CE-02, they have their very clear plans, and they will be launching sometime next year just after the winter, I think March, April. I think the production has started. I think the initial feedbacks are very positive. On numbers, I may not be able to give you guideline because CE-02 is their plan. So, they will definitely be looking at the product and the feedback whatever BMW has shared with us. I think it is going to be an outstanding success in the market.

- Moderator:** The next question is from the line of Mr. Pramod Amte from InCred. Please go ahead, sir.
- Pramod Amte:** So, first question is with regard to the increase in inventory in the P&L. So, this is the second successive quarter year increase. This quarter seems to be much more lumpier compared to last quarter. is it all related to finished goods or raw material?
- K N Radhakrishnan:** What is the question? I didn't hear properly.
- Pramod Amte:** What I was referring to is the increase in inventory of almost 260 crores, which you show in P&L. This is on top of 300 crores of last quarter, so almost around 350 crores of increase -
- K N Radhakrishnan:** That is only because of the season. Because normally all of you know that this season, Dussehra and Diwali we have to make sure that there are no line stoppers in production. So, it is a very prudent call from the Company to keep the material stock especially the input material.
- Pramod Amte:** So, what's the number of days you have, sir, in terms of stock on finished goods and the raw material?
- K N Radhakrishnan:** Finished goods, I told you. We are always looking at, for example, end of the season we will have less than four weeks of stock.
- Pramod Amte:** The second question is with regard to the iQube. Looking at the results and considering that you have significantly changed market share and volume in the quarter, and this is in spite of the same incentive substantially cutting down, so is it fair to assume you will be making similar margins as a corporate margin on iQube in spite of the payments going off, is that a fair assumption or is it a drag on the profitability?
- K N Radhakrishnan:** Please understand, iQube is a completely new EV product, Last time also, I highlighted that we are making a positive contribution. It is an investment behind new technology, new area and we have to be patient because that will start yielding better and better results going forward. Beyond that, I think we have to look at as an overall Company how we are moving in terms of investments. To me, EV and the product range, I think we have to be a little patient, but it will result going forward because there are many things which are going to help us; the sales costs are going to come down, scale benefits only can help you optimize the material cost and supply chain, more and more products you launch in India and many markets you will have opportunity to increase. So, the strategy what we believe is delighting the customer, growing the top line by launching a range of products in every segment. These two are priority one and two, and then you will start getting the huge benefits of cost and sustainable growth and EBITDA margin. So that strategy will continue as far as EV as I speak. So, I don't want to give you any guidance separately on EV.
- Pramod Amte:** Only question was this positive contribution commentary was pre-FAME cut or even the post-FAME cut, you will see the positive contribution continue on the iQube?

**K N Radhakrishnan:** Positive contribution. FAME has already been cut. All of you know that. So, I think it's a factor of overall volume, it's a factor of overall cost, the cell technology changing, and the overall volume going up, and future the new product, what we are planning to launch and overall volume again going up. So, it's a combination of many strategies and that focus will continue.

**Moderator:** The next question is from the line of Mr. Raghu Nandhan from Nuvama Institutional Equities. Please go ahead, sir.

**Raghu Nandhan:** On the festive season, Maharashtra growth is in double digits as per VAHAN. Considering the strong festive season, can you talk a little bit about urban and rural demand? You indicated that urban demand is very strong. How is rural doing?

**K N Radhakrishnan:** See, rural demand is expected. Please understand, rural area how do we look at. Thanks to the kind of changes in the legislation and also the kind of transition to BS VI, also the. Third-party insurance cost and safety requirements which are all fair. The cost if you look at it, the entry level products which are high demand in the rural market and prices have gone up by 40%, 45%. Their income levels have not gone up. Now, they are getting the confidence that there won't be lockdown, the worries about the pandemic, the worries about hospitalization has come down. I think we have to be little patient. India strength is rural. And unfortunately, what has happened is this year all of you know that certain markets we had the monsoon much higher, certain markets it is the deficient, more than 35% there is an imbalance which none of us thought through. Now, the rural confidence is improving, their income levels are going up, they're not so much worried about any more hospitalization, and infrastructure investment from the government is going on in a very nice way. I'm pretty confident that rural will come back. We have to show a little bit of patience. And definitely the retail finance companies are also definitely supporting. So, I think it's the question of time. All these products will do very well. So, when you look at the entry level products starting from moped and entry level motorcycle, they're having huge stress. And in some of the markets, all of you must be knowing the tractors are also having huge stress. So, this will improve because from worrisome, they have not started earning income. I am able to get an early indicator that this year Diwali is definitely the consumption of many aspects in the rural are going to be better and better. So, I'm pretty confident that the two wheelers will come back. When the prices have gone up by 40%, 45%, their income has not gone up 40%, 45%, please understand that. So, we have to be a little bit more patient when it comes to rural. That is the point I am highlighting.

**Raghu Nandhan:** Sir, your associate Company, Ultraviolette is in electric motorcycles and TVS launching more price competitive electric motorcycles. What would be your thought process? What kind of timeline you would envisage considering players like Ola are getting into this segment?

**K N Radhakrishnan:** I don't know about Ola. I respect all my competitors. We have a very clear segment wise plan. Closer to the launch plan, I'll let you know what kind of products, and which segments we are looking at and I'll definitely highlight much before the launch.

- Raghu Nandhan:** On the electric scooters, they are profitable at contribution level and on PLI scheme, some of the four-wheeler OEMs have received approval. Are you expecting that PLI approval and incentives in second half of this year?
- K N Radhakrishnan:** We are very closely working with MHI and PLI scheme and we are confident that TVS will qualify, and I think is work-in progress.
- Moderator:** The next question is from the line of Mr. Arvind Sharma from Citi. Please go-ahead sir.
- Arvind Sharma:** Two questions from my side. First, on the Jupiter versus iQube. Since you said that iQube virtually fills all the expectations that Jupiter has. So, in your interaction with the customers, has there been any impact on Jupiter demand versus the iQube? Overall looks strong, but in your international customer, is there any shift from Jupiter to iQube?
- K N Radhakrishnan:** See, currently, the overall Jupiter category share, out of 100 two wheelers, currently the scooter is about 30%, 32%. With the EV in scooter, I am expecting this 32% significantly this category share of scooter will go up. And there will be an opportunity to ICE to grow and EV to grow. Because the TVS has got a strong brand preference in scooters, so having an iQube is going to help us to grow Jupiter faster and better.
- Arvind Sharma:** One very specific question to the notes-on-account. The other income of 37.55 crores, you said is an evaluation of an investment. Which investment is this, sir?
- K N Radhakrishnan:** It is TVS Supply Chain Solutions.
- Moderator:** The next question is from the line of Mr. Sridhar Kallani from Axis Securities Limited. Please go ahead.
- Sridhar Kallani:** Just have a query with regards to the EV business. Generally, in the international market, we have been seeing that either OEMs or production of their own batteries or they are entering into joint ventures with battery manufacturers. So, going ahead, what is our strategy with this regard?
- K N Radhakrishnan:** I am not able to understand. Can you repeat the question please?
- Sridhar Kallani:** Sir, my query is with regards to the battery manufacturing side. In EV, Battery forms are a major component of your cost. So, some of the OEMs are going for their own production line and some OEMs have entered into a long-term strategic partnership with the battery manufacturers. So, going ahead for TVS what will be the strategy regarding the same?
- K N Radhakrishnan:** No, we will study very closely. Currently, the battery management system in India is completely designed and developed in-house, the only source. The strength of TVS is our design and development capability and investment behind that. Now, when we go to various countries, that is the strategy which we will evolve, and we will let you know what will be our strategy going forward when we decide which countries and how we are planning to go.

**Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing remarks.

**K N Radhakrishnan:** First of all, thanks to all our customers. You know, as I highlighted the quarterly operating revenue crossed 8,000 crores for the first time and we grew ahead of the industry, thanks to customers and the kind of product portfolio what TVS has got. Operating EBITDA margin, we improved to 11%, this is the highest. H1 Profit after tax crossed for the first time 1,000 crores. And TVS iQube, thanks to all the 2 lakh customers for the full faith in TVS and TVS quality. And this gives us enough energy to put our product plan into the market and take EV to the next level in the domestic market as well as international market. With our unwavering focus on consumer, quality, we are confident of growing ahead of the industry. And we will continue to leverage our scale benefits, focused premiumization, sustained material cost reduction and doing the right investments between products and marketing, we will build TVS brand globally and we will continue to improve our EBITDA going forward. Happy Diwali to all of you and your family. God bless and thank you.

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