



**“TVS Motor Company Limited”
Analyst Call**

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ASSET MANAGEMENT (SPEAKER 1)**

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(SPEAKER 3)**

TVS Motocorp Roadshow | UBS | May 23, 2022

Speaker 1:

Morning, how are you?

Speaker 2:

Morning

Speaker 1:

Morning doing my best morning. Would've loved to do this face to face. Probably at some point probably fly over a meet for the first time. I think the big question I have about EVs right now is how we want to address the EV opportunity. I think I've been looking at EVs and how they have managed, how you guys have managed to take market share and scooters bikes and transition yourself. Right? margins were up when, when your volumes were down and raw material prices were up. And we had very tough times over the last one and a half years in terms of cost front, and we are able to deliver margins. So, so I'm just trying to wrap around this probably two issues, right? The big one is how we wanna address the EV opportunity and from whatever I know, EVs are actually margin dilutive. So from that perspective, how we think about margins over the next couple of years as we address the EV opportunity.

Speaker 2:

So I'll start with EV because that is a question you wanted to understand. The most important thing is we did start the product development. The biggest strength of EV is, is a very strong design and development and complete team. And we look at the customer, any discussion we keep the customer at center IQ is really, really that the first product we have come out. And of course you would've seen the new announcements from IQ. Now IQ comes with three variants, okay. Including the IQ St. So before coming to that, what is most important as far as IQ feedback in the market is we have presented 33 cities. Excellent excellent feedback from the customers. And month after month, the booking levels are going up. Okay. Now we have more than 12,000 booking. At this point of time, the challenge has been the semiconductor issues in ramping up.

Speaker 2:

We have been actively engaging with the even entire one entire two of the semiconductor companies. And we are also, they're also understanding us. We are also understanding. So I'm pretty confident that soon we will reach the 10,000 mark and then go beyond what is most important is we work as though completely the new vehicles are going to be okay, which means we have to have a series of products, which you will see in 22-23, we have invested behind that, and this will be based on different customer segments. You can take the analogy of our Scooty, then coming to Jupiter. And, and even in time you have 110, you have 125, then you have various you know limited edition models. It's so many features and different price points, because at this point of time, I can't give you exactly what type of products and different customer segments we'll be launching just year. We'll have a complete portfolio of two and three wheelers in the range of 5-25 kilowatt, all of which will be in the market in the next, in my opinion, about seven quarters to eight quarters already, you have seen the new IQube.

Speaker 2:

If any point of time, when people are visiting Bangalore who come here, we can show you and we can spend some time. You can see how the company, while we are focusing on EV how we are completely transforming the existing facility to EV. The vision of electrification, we are also in addition to the product design and development, many things, for example, in iQube, motor controller, the IV C completely designed by us, along with our suppliers, some of them we tell our suppliers to manufacture it cover. So the key differentiation, we, our competitors is that the value comes not by buying or importing some assemblies and, and assemble it. And it, if you have to really, really position yourself and deliver something new to the customer, you need to have the complete understanding of the design and development capability within you.

Okay. And that is, that is D we also have in our vision, a wide and reliable range of charging infrastructure for EV customers across India. We have collaborated with the, to access its charging network for its customers also have data power and CESL networks, primarily this is evolving. So you may not be able to completely predict the customer behaviors today. If I look at iQube, majority of the customers are going from charging, but tomorrow I think things could change. So we should be prepared on one side, you do whatever is you are understanding your learning from the customer side. On the other side, you invest in the bigger infrastructure in terms of charging and other, other areas. At this point of time, I agree with you iQube first version, that was the starting point, but the second version we have moved to 21, 700, and we have very clearly understood cost drivers.

The first to focus on the company is to really drive the customer satisfaction, get the best customer satisfaction and customer delight on, on the electric products, because the kind features, you know, connected features seven TFD clusters, UI, infinite team, personalization, voices assist you know, an intuitive of the music control. I think, I think many of the many of the young customers look at digital, completely digital, whatever they, they get it from a smartphone. They expect the same things from the, the EB. So, and of course the traditional customers look for the size of the, of, so you need to balance on one side, you have to give customers on the other side, for example, 32 liters of the, the, the space, you know, storage space, actually, it is there, whatever, whatever we have to do, but these two platforms are different.

You know, many times people think that they have the same platform, no, EV is completely new platform and we are, we are designing and developing that. So you will see lot of investments with respect to digital digitalization, and also connected clusters voice. The, the many of, the, many of the aspirations of the end customers who look at practically a smartphone on wheels, that kind of, that kind of a thinking. So at this point of time, iQube to these versions, we are, we are improving in terms of the, the, the small profitability. It may not be still profitable in line with that, but I'm, I'm pretty confident once you get the customers happy, delighted, once you get the ramp up, because today ramp up is the problem not sales, the demand pool is so huge. So first we have to deliver 10,000 and then we have to go to 25,000.

So once the volume starts coming in volume, why I do say that is when the volume is that it is good for the company. It's good for the dealer. It is good for online. It is good for the customer. It is good for the backend supplier because every cost depends upon the volume. Okay. So I am pretty confident that in the next 24 months, you will see EV also becoming really profitable. Okay. What is most important is the toughest portion we have got it, right? Which is customer delight and happiness. The second portion we are now trying to get it right, which is the ramp up and managing the semiconductor suppliers. You will see the same thing in terms of the three Wheeler, because we are coming up with a brilliant model, again, looking at the customer usage and their behavior and how it is gonna be differentiated with the current three wheelers, which are available.

Speaker 2:

So this is broadly, and please understand with these products, we can go to every market in the globe, every market . And for your benefit already, BMW has announced you would've heard that the new platform completely EV a cool vehicle, we have designed and developed for them, for the global market. For us also for the global, I may not be able to share more information on that. Okay. So it, it's not only in scooters, there are, there are plenty of series of product. You will come as though the EB is already hundred percent in the market.

Speaker 1:

Sorry, just to clarify that you are, you're saying, can, sorry, can you hear me?

Speaker 2:

Yeah.

Speaker 1:

Just to clarify that we are, we have already developed two Wheeler product platform for BMW.

Speaker 2:

I, I didn't say that. I didn't say that what type of product? I said, it's a cool two Wheeler. That's all I said.

Speaker 1:

Okay.

Speaker 2:

Okay. The design is completely okay. Conceptual thinking the design, everything, working with them. Okay. It's completely cocreate. But this time the design responsibility is taken by EVs and they will have a platform of products and we will have a platform of products in the space. Okay.

Speaker 1:

Mm-Hmm Yeah. I, I remember, I recall that the relationship then was, they were looking for you as a partner, right. To manufacture. So now it's actually adding that design element into this. Absolutely.

Speaker 2:

Absolutely. Now you understood, completely understood. Earlier platform was yeah. The design was theirs, but development and manufacturing was now, the design is also complete responsibility of design development and manufacture. So I can probably say that completely, completely designed and developed and made in India to the global market

Speaker 1:

And BMW, just fight labels it and put their blue, their batch on it. Yeah.

Speaker 2:

But they're external,

Speaker 1:

A little

Speaker 2:

External is a little bit D the styling and design will be different. They'll have a character. OK. Others will be different. Definitely different. That'll be OUS

Speaker 1:

Mm-Hmm okay. Okay.

Speaker 2:

What was the second question you had

Speaker 1:

This sounds going back to the EV one, I think you mentioned product design and development strength of EVs, but maybe I want to go into more nitty gritty details on that front. A little bit of context. When I look at some of the EV companies in China, right. So certain extent, all these startups basically just find component suppliers, package them together, right. And say, got an EV, right. This is a four Wheeler, which is relatively more complex product. So when I think of it in a two Wheeler context, right. I think it's even more simpler. And we can see that in India, right. Where we have tons of people shipping in kits, right. From China, and then just launching a brand. And that's, it's so fragmented. So if I wanna go into the nitty gritty details and say, what is it that we do right. Internally that's proprietary to us. Nobody else does it that makes our product different. Or at the end of the day, it doesn't matter, right. It is just the EVs brand, your distribution, channel, your manufacturing, you know, the traditional bike manufacturing competencies, right. That that would make E two Wheeler manufacturer successful.

Speaker 2:

Brilliant question. I think the same challenge we had I I'm taking it as an analogy when we went into international market, because we went really intensified our international market journey. Only after we came out, in two, three, 2004, like many of the Chinese or many other players in the industry. The first thing we said is we have to take care of the customer starting from the first service. Okay. Normally in a typical two Wheeler, I see the first service comes after 15 days, Kevin. Okay. About 5,000 kilo when, when you ride, okay. The first service first service is 1000 kilometers thousand kilometers. Even if somebody writes, let us say 50 to 60 kilometers a day, it'll be in the 15th day or 20th day. So we said, unlike others, we will have proper service facility reference a facility, offers spare parts available.

Speaker 2:

In fact, we send the spare parts much ahead of the product itself to international. Since you asked what is the difference between others and we design developer durable product, but what is most important in a two Wheeler is the service because the first service comes after 20 days. At that time, you don't have the right oil, the kind of checking facilities, kinda trained mechanics. All these are simple things, but simple things, mostly people don't execute properly and you have to do it with every customer, every point, because that, that gives the confidence that, yeah, wherever I go, S you know, service center will be available now coming to EV I think what is most important is we have to really understand the customer usage and whether it is a battery, whether it is a BS system or a control unit, or I B, C, U or

motors, I think these are all these, each one has got a, a particular character and you have integrated properly.

Speaker 2:

And based on the customer usage, please don't underestimate the, the temperature, how, how it'll be managed in different, different temperatures within India, because India, India varies from market to market and usage also. And it's not that everywhere. It is very nice road and good road. And you know, it is, it is it's, it's a combination of all type of usage. And, and even in EV I think customer usage, maybe after some time when the common man starts using and their family will go. So for him, technology is more important. The most important is, is usage. You know, if the entire family of four will go in a, in, in a two meter, it should be able to go in any road, good road, bad road, any flyover, any type of usage carrying load at that time, we can say, no, no, no, this is a light vehicle.

Speaker 2:

Yeah. This is EV in China. It is like that. And also the durability India people use it for seven years, eight years. And even they, so that's said by this, so it's not just buying some, giving it initially, there will be a lot of customers looking at it and buying it, but I'm very sure in the next couple of years, you will, many customers will come back to those manufacturers who are focused on customer, who are focused on durability, reliability, who stand in for any kind of customer service. Okay. This is hundred percent is going to happen, Kevin.

Speaker 1:

But if I were to go to some of your peers, right? The, the leading incumbents, OEMs, they probably say the same thing, right? When they design a product, they start off with local conditions and build it upfront.

Speaker 2:

I, I don't comment on my, my competitors, the startups, each one has got a strategy. Okay. And some of them may be successful. Also. I don't, I don't demand. But what I know about DVS is you should be able to completely design in house. Then only you can give new, new technologies, whatever is available in the international market, whether what you see in smartphones or whatever you see, because this requires huge thinking. You cannot just buy some kids send, you cannot be mercy, or somebody from China or any part of the world just to assemble and give it. You will not be able to provide any innovation in technology. And please tell me, why should they give it to you? If it is such a super technology, why should they give it to you? Because this is, this is going to be used in a typical two Wheeler. They'll look at you, let me sell it to the car, but please understand the, what we have designed and developed. It costs money. It costs money. And tomorrow somebody will say, I can give you great examples in initial to our connected cluster today. And tomorrow's connecting cluster completely going to be upgrading to the customer, maybe equal to a smartphone that requires lot of design and development cable already. We have about 600 engineers only working in this area. That is what is going to be the difference with respect to any of the competi, what you are seeing, who come as a startup and just buy something and assemble and give it to the people.

Speaker 1:

OK. Okay.

Speaker 2:

And please understand customer customer expectations come not from not necessarily from two Wheeler, two Wheeler mm-hmm . It comes from their online experiences, digital experiences, connected experiences in the smartphone space or any part of the world. If it is a tech company. Yeah. Tech customer, he will be traveling. And he will say, I saw in this country, I saw this experience. Give that.

Speaker 1:

Yeah. Okay. Okay. A lot of what we have mentioned is actually very good where we are dealing with some of the intangibles, right. User interface, product design, and a lot of this actually depends on the user experience and ownership experience of the day, but from upfront, right. To hook that customer to say, just like our, I cube right where we are now 140 KM range, right. That spec would make a lot more people excited. Right? There'll be a lot more people say, oh, well, there's a hundred. And EVs I cube is at 140. I should go and have a look at that. Do you have some of this more tangible, you know, metrics that can help hook the customer ahead of time.

Speaker 2:

Right? I, I have only one request. I, I always believe when I respect competition, but more than respecting competition, you have to look at the customer. For example, when we give IQ, we have given about 75 to 80 range. Okay. Honestly, only 5% of the customers used it. Now I can talk because I have more than 12,000 bikes on the road. I get all the data, but I agree with you, okay. What they use and what they want are different. So it, it is not that everybody wants hundred and 40 or 160. They think that let it be there, you know, let the range be there. Yeah. When I travel somewhere. So, but, but please understand. We have to look at what is the real customer usage, because after some time, the same customer will say, I, I don't want hundred 40. I don't want 60 gimme hundred, even I'm okay to have 80, but I want these features and preferably this price.

Speaker 2:

So this is something like a trade off. That's why we have kept three products. Now you want this, you take that, you want this, you take this, you want a lower range. You take it. And we can also suggest, for example, if somebody is a, a housewife, she wants to buy a scooter IQ, we strongly recommend her to take the minimum reach because she will use to, to pick up the children or go to the bank or do something around, let's say 10 kilo. She will never, ever use many of our customers. We studied. We saw that we charged only once in four days.

Speaker 1:

Okay.

Speaker 2:

Whereas if somebody's self employed, I'm very sure. Okay. There are many more customers who are self employed. They will also look at TV. They may be traveling from face to space. They may be requiring something like 70 kilometers, 80 kilometers. Okay. Such people will say that. Yeah. Try one 40 and see whether you can really, really use it to your, your full extent. Okay. Or charge once in two days. Okay. So this is also something as a responsible company, we should guide the customer.

Speaker 1:

Okay.

Speaker 2:

So more than,

Speaker 1:

But, but I was using, yeah, go ahead, sir.

Speaker 2:

More than, more than you know, looking at competition, we should use the prospective customer behavior through analytics and digital, and then say, this profile of customer suggests them this, okay. Or monitor them and advise them. This is the way, this is the best for you. For those, that of customers who say that this is the one which best suits you, it helps them.

Speaker 1:

Maybe I push this a little bit more and try to understand I was using range as like a hard metric, right. That a customer can use to make the decision upfront. Because as, as we know now, right, there are only a couple of products on the market. And to be fair, it's very hard to differentiate. Right. do you have something that up your sleeves, right? Your touch screen, your digital applications, software that would really differentiate compared.

Speaker 2:

Just, just hold your

Speaker 1:

Breath. Maybe the first one is to

Speaker 2:

Just hold your breath.

Speaker 2:

Okay. Maybe after six months when we catch, you'll say, OK, I got the answer today. I not be able to share with you, but I can give you. That's why I brought the analogy of the kind products we have launched. Whether it ache, whether it is the kinda new we have given the kind technology analogy the, you will say in this space. Okay. For us IQ is a, is, is the starting point. But IQ is not the end of everything. Okay. You will see definitely aspirational, much more aspirational for very young guy. He will say, wow, this is something I never expected. You know, this is fantastic. Mm-Hmm you will see that. And that will happen to see it.

Speaker 1:

Okay. The, the, the killer app, if I were to say for, for Tesla was their self full self-driving, right. They autopilot like they, they like to call it, although it's not a lot now. And, and this, this, this, the investor community then thinks about Tesla, like a software company that at some point they're gonna monetize

the software in house and then develop an entire revenue stream. So when I think about the two Wheeler space, I think it's gonna be impossible to do auto sale driving <laugh> for

Speaker 2:

Portion. No, no. The other portion, what you said is right. We are investing heavily in the software side. I think many things is going move into the subscription model because that is going to give us huge benefit because every time, and please understand Kevin always, there will be 5% of the customers who want something new, completely new. Yeah. Really? Okay. That is a product you, I don't this year. And it does not all the, all the things, what completely differentiates EVs we with any competitors.

Speaker 1:

Yeah. So, so if I were to just use that mindset, right. That Tesla has over the air updates. Right. I'm sure we doing that.

Speaker 2:

What you have seen Tesla in a two Wheeler context from EVs, I, you, the next

Speaker 1:

Product. Okay. I was gonna ask, are we gonna do something that the world has never seen before from

Speaker 2:

Okay. No, no, no. It's, it's not, you'll not suffocate because I'm not going to make you wait for two years. It'll happen this year.

Speaker 1:

Okay. Fantastic. Fantastic. That sounds very exciting opportunity. So, I can get from you that your mindset, I guess you had enough investors asking you you're a profitable company and you're gonna shift to something that's launch a product that's not profitable, and you're gonna start bleeding on that front. Right. that's one. And you're gonna have to, I, I think the next question I have is how are you gonna fund some of these expansion plans in terms of CapEx? So, so two questions there, the first one is basically, are you comfortable having reach high single digit margin? And now you have to turn back down number one. And if that happens, right, there's gonna be a lot of investments required into software, into new capacity, into batteries. And, and maybe on the batteries front, I may want to find out what are your, what is your thinking about, do you wanna make your own batteries as well, right. To go being vertically integrated and having control of the entire supply chain that you always like to do

Speaker 2:

See most important. What I told you in the first line, and the second line is very, very critical. You know, I can, again take an analogy when we went to Indonesia first to make sure that it is almost 99%, the Japanese market first is to succeed in the space is a customer, and then start selling more and more today. Please look at the international last couple of years, we are profitable. And this year, the volumes itself are likely to be more than a hundred thousand. So the most important, according to me is get the customer delight. Number one, and then volumes grow volumes. I'm very confident that this year we will like sit in two wheelers more than 25,000 per month. That is the type of numbers we are looking at. And also three Wheeler significantly for that. You will have this range of aspirational products coming

from. These two, the moment it come, I think along with that, the losses will come down. The con the contribution, the gross margin levels will go up. Okay. Mm-Hmm and please understand all these developments are in house. So we know the drivers of cost.

Speaker 2:

Very, very critical. The difference between when you just buy out the technology from outside, he's not going to share the cost, even when the volume goes there, cause you are investing in your design and development, you know, which are the cost and you know how much you can squeeze which area. So I'm pretty confident that mm-hmm, you'll see profitability coming up in a big way in the last, next 24 months. That's why I'm using the word 20 months. Most importantly, to get this product into the market and market customer saying that, wow, this is B

Speaker 2:

Exactly. We have done in iQube and you will see the most aspirational product coming just financially. So that's why we are not postponing. We wanna deliver it. And that, that will, that will create the kind capability and the technology progress of EVs mode. Okay. And that will drive the cost. And on the, on the, on the supply chain, please understand this is the time to look at the product right in the customer, right in the volume rate. Now sell at this point of time, BMS is ours management system is ours, then software related to ours. But the sales we buy from offset, once we get a volume in the question comes, should we make it insight? Should we invest in that today? According to me, little, little, far away, we have to think about it not today.

Speaker 1:

Okay.

Speaker 2:

Okay. But some of the sales, for example, today's approach has been via ICU. We design and develop and tell some of the partner suppliers to give it to us. This seven inch mm-hmm five inch, all our design, very good supplier, who is partnering with us and delivering with us

Speaker 1:

Who, who is the battery supplier that we are working with now? Korean Chinese. No,

Speaker 2:

No, no,

Speaker 1:

Both.

Speaker 2:

We are not in Chinese that I can tell.

Speaker 1:

Okay. Okay.

Speaker 2:

Durability, reliability, customer delight is always motor most important motto and

Speaker 1:

Got it.

Speaker 2:

You know, we have already announced a separate subsidiary. That is, that is going to give us a lot of flexibility, but I'm of the view we want to have even these capacities and this investments very productive, but any, any new business, whether it is Indonesia, whether it is three, it has taken couple of years to, to really, really start the profitability to come in. I don't see EV completely different to whether we go to Indonesia or we go to three wheel business because every business requires that investment EV also is an investment. We don't look at it as a cost and somehow we have to make money tomorrow. That approach will definitely look at, okay, buy something from outside, somehow sell some numbers. No, that's not. We look at sustained business success. And we wanna assume that these products, unlike IC, these are all available even for developing markets and developing market globally.

Speaker 1:

Sure. I think a lot of this is also in your, how you can manage your margins, right? If you really wanna go ahead. Are you comfortable letting your margins come down sharply or you wanna, you know, manage it such that financially your profits and profitability will hold up.

Speaker 2:

We will, we will manage our margins pretty well. I think you, you, on your opening remarks itself, you have said despite lot of okay. Yeah. Consistently delivered margin in a sustained way. You know, we have not we have not you know, we had a lot of challenges even last year, last quarter, this quarter on an IC also some of the premium products, we don't have semiconductor, but we managed. Yeah. And on one side, lot of raw material cost increases. Unprecedented means really unprecedented. Yeah. But we are not panic saying that, oh, all this material cost increase. We have to push into the market. No, always grow ahead of the industry. Okay. And make sure that your distributor, dealers and suppliers are happy. You are happy. Then look at all, all the, all the lines of the both variable cost and the fixed cost. So it has been a last couple of years has been very, very prudent cost management, profit management, you know, and a combination of all this is delivered the profit. And I'm very sure the same approach. You will use it in EV.

Speaker 1:

Maybe on that comment I made, right? Where you delivered high margins, any two or three big initiatives or anecdote they can share. Right. Just to let me crystallize what we have been doing internally

Speaker 2:

I'll divide it into top line management and cost management. Cause in the top line, please understand there are premium products where the pricing opportunity much higher and you get better. When I say products, the products include Apache and see, one of the brilliant examples is Jupiter. When we launched the Jupiter, we had only one basic model of okay. And it was positioned against, but we saw

that there are very aspirational customers. So we developed something called ZX version. Then we made a classic version. Then we made a Grande version. Okay. And all this are priced much, much, much higher based on the kind of inputs on the technology. But pricing wise gives you a better and better margin. And today, last quarter percent of our Jupiter sales has come from the variants, which are on the aspirational side

Speaker 1:

Okay.

Speaker 2:

So by focusing on premium products, by focusing on the mix that itself can improve your margins. Also international business Kenya then comes international business. You look at international business, mm-hmm international business, practically you have a huge opportunity and benefit. And we were doing 40,000, 50,000. Now we are a hundred thousand consistently month after month. And there are also, we have a combination of three Wheeler and Apache, and also many of the products like which are doing extremely well in this market. And I bring your attention that six months back, we have put brilliant products, both works both in India, very well high margin, and also very well in the international market. Okay. This is on the, on, on the top line and top line and the product mix and country mix kinda a kinda a strategy. And if you look at the, on the material cost significant focus on the material cost, how do we commonize platform? How do we look at the part town? How do we look at we had only one or two suppliers with the volume going up. We brought in a new supplier and always you get an opportunity when a new supplier comes, there is an increment. You can, you can also tell them, look, I'm getting so much of cost production. It is leveraging the volume mm-hmm

Speaker 2:

Okay. And systematically, we looked at the weight, we looked at the part production. We looked at alternate material. Okay. There's a very clear strategy of without devaluing the product without affecting the durability. How do we cut fast? Okay.

Speaker 1:

Any more such runway down.

Speaker 2:

Huge opportunity. This is not one year. This is not one year. I think it is a very systematic approach. You keep looking at alternate material, for example, it's a huge opportunity. Kevin, same may integrated design. You may have 10 parts in a subassembly. You are able to come up with an idea with five parts, the same subassembly maybe better features. So like that you can, these are all, I may not be able to articulate exactly what we have done, but I'm giving you broad examples. You know, it's a systematic way of driving down the cost inside the company and you would've seen our marketing costs. We are more and more now digital.

Speaker 2:

Okay. And thanks to pandemic. We have learned a lot, you know, earlier days people were offices, separate offices now, practically everything is virtual. Okay. Even with the new with the, with the COVID situation in India, much, much lower. Now we may not completely go back to the old style of working. We may have a hybrid style of working. So I think every element is helping us in terms of looking at

whether it is a travel cost, whether it's a marketing cost, whether it is an employee cost, whether it is a material cost. Okay. So on one side is maximizing the revenues and those, those products with better margins with premiumization and IB international business on the other side, every element of cost.

Speaker 1:

So from a, maybe from the cost perspective, do you tell your product managers or your factory floor KPIs is minus 5% every year?

Speaker 2:

There is a target cost. There is a target cost. Okay. There is very clear cost based on the last three years of achievement level. And we look at what all things we can do, and definitely we wanna take up this 10% to the next level, you know, mm-hmm so we don't wanna be stuck with only 10%

Speaker 1:

Internally. Can you share what, what are we,

Speaker 2:

I think here, I'll tell you when you here. I tell

Speaker 1:

all right. Alright. Yeah, I

Speaker 2:

You're operating for Singapore or

Speaker 1:

Singapore, Singapore. So I think the flights open up, open up quite easy, easy to fly in. You

Speaker 2:

Tell us, and I don't want to, so you, you tell us in a, you can come here and spend the day, you'll get the feel of the place I promise you that.

Speaker 1:

Yeah. Yeah. Problem was telling me is like after going to Mumbai is another one, two hours drive. Right? The if I got that,

Speaker 2:

Oh, you have a direct to bang.

Speaker 1:

Oh, okay. Okay. Yeah.

Speaker 2:

Every day there is a flight to bamboo Help of India.

Speaker 1:

Yeah. It's just

Speaker 2:

That's first flight.

Speaker 1:

Yeah. Yeah. I wanted to ask about capital allocation. We had a couple of investments overseas Norton the Swiss mobility company. And I think Norton it's easy to understand the brand, the Swiss eBike one is something that but obviously I want to, I also understand when you think you can turn or turn around, but the Swiss e-bike one, can you just help me understand how this fits into the jigsaw puzzle that you have?

Speaker 2:

See e-bikes is, is one of the areas which are definitely likely to grow disproportionately going forward and CMG. We, we, we took over that company primarily because Europe there's a huge in terms of I can, I can just recollect some of the, some of the data, what we gave all of you I'm trying to just look at the data. The international, the European eBike market is growing at almost 20, 25% year after year CGR. And a CMG is very profitable company last year. This, again, you can correct me. I think hundred million, sorry. Somebody's trying to reach out to, yeah. Last year it was a hundred million turnover and a good profit last year. Okay. So it's not that it's not a company. It is not making money, its already making money. Now what is it is this is going give us a huge opportunity to European customers, their behavior, and also how they're going to, how this E cycles today. We don't have products in the E cycles from India, but this learning is going to definitely because we have now E from India and new two wheelers, we are, we are going to make it from India. So all this are going to help us going forward in our overall strategy because

Speaker 3:

Also CMG is as a omnichannel distribution. That's important.

Speaker 2:

Yeah, they have if, if I look at a CMG they're strong channel distribution of few brands, they have silo, they have simple, they have Zeit. These are all different, different types of bikes for different, different application. Mm-Hmm so we are able to really so far, if you ask me, we don't know much about European market and customer segments. OK. So that's why we, we took over this company you know, so you will understand customer behavior, customer usage products are all there. It is already a profitable company. Then we can always look at our design and development capability and say, okay, these models can be used in this, these markets globally. Okay. These products, we can also supplement by our own design and development. Okay. And ultimately we'll look at the cost. Also in this products on one side, we can, with our expertise, we can improve the features on the, on, on, on quality, on durability. On one side, we can look at the cost on, look at the customer usage and say, this can be sold in many other countries. So it's a, it's a very, very strategy investment. That is the way I'll put it.

Speaker 2:

Anyway, this whatever we are making the new platforms of Easts and the two wheelers from India will be available in all these markets, Kevin, some point of time we have to enter into the European markets. Okay. Yeah. Today for example, our IV is only 18 markets, which are mostly developing markets, mostly

Speaker 1:

Okay. So the easy win would be to push some of your iQube through EMG, into like SI we can leverage.

Speaker 2:

I, we not put the strategy, but we, at some point of time, wanna take the product global develop markets. How do we do that? We should use it's channels. We should use, how do we sell it? How do we get the early understanding? All this are going to help us in Europe.

Speaker 1:

So, so this is more like a market access strategy rather than a technology that, that they have technology

Speaker 2:

Technology. We are a customer driven company in order to understand what type of technology works in which country you need to have a deep understanding of the customer. So I won't say it's only a marketing, its also, it is a deep customer understanding kind an exercise. Let me put it that way.

Speaker 1:

Okay. Okay. The other one was on Norton and

Speaker 2:

Norton is absolutely right. It is. It's a great brand. It's a premium brand. I think we have, we have now completely systematically done the manufacturing and we are also looking at the sourcing so that we can start looking at some of the products to be in line with the quality standards of the EVs. And then we want to give it to the market possibly this year. Then we will also have a of product plan, which we have put now and we will be designing and developing that with our expertise. So you would've seen that. The, so the, so you know, it has become operational now there are, there are the cafe is there V four, three commando, 9 61. These are some of the products which we are now trying to, trying to look at, how do we, how do we start manufacturing to the global quality standards? And we are also now coming up with of course we will also leverage the electrification capability of TBS in . So I think quite a lot of work is going on in Norton, but Norton the brand is super brilliant. I, I would say that unfortunately the last 10 years or 20 years, they have not managed it well. So once you have that, the, the real, nor that brand somebody can deliver that, I think it can, can really, really do extremely well in the market.

Speaker 1:

So, I mean, is there any, I thinking about bringing into India as to target

Speaker 2:

I think these are all opportunities, complete opportunities. I completely agree with you. Okay. These are all complete opportunities to look at which markets in the market which, which markets of the globe, we can, can give it to them. Okay. End of the day, Whether it is a CMG or nor they will only supplement

to our product, they will not compete with our product. Sure. One is on the cycles. One is on the end completely. So I'm you broad understanding, trying

Speaker 1:

The, I guess the, we've got an EV opportunity that I spend most of my time here discussing, and we've got a couple of other moving parts, right. So I just wanted to assess where our focus is, where our priorities and time allocation, capital allocation, is it think

Speaker 2:

The, the most important, most important thing in terms of if you look at really, really the maximum time is spent on the side, on the future mobility side.

Speaker 1:

Okay.

Speaker 2:

Because according to me, I see my team members are very competent. I don't think they need any review. Okay. They know how to develop a new product, a new premium product, a new, a new, or a new Jupiter one or a new Apache. They know, they know very well. Okay. So, so the full focus of the company is looking at type of investments and, and looking at premiumization, I think there is a huge opportunity to take the IB to the next level. Currently we are operating around a hundred thousand. There is a huge headway head headway to grow it to the next level because every market mm-hmm, the customer demand is positive. And the pool for our brand is also positive. So there is a great opportunity to go to the next level of volumes, you know, in, in IB. So if you ask me first, second is how do we grow our international market to this proportionate level in terms of market share and profitability. Okay. And the third is how do we learn from this mg and how do we, how do we look at the space where we are not operating today and how do we into the develop markets?

Speaker 1:

Yeah, I, can I just go back the last two minutes on the traditional business, the IC business there's still, I, I don't know. There are still segments of the market, like from row end view up that we are not covering, right. Where is our premiumization strategy on that front? Right? Are we gonna attack all the segments? Or we say let's put IC on whole because EV is next, right. Let's focus on the next 10, 15 years and just get, get EV right. And we are done. We don't need to go and address how IC

Speaker 2:

No EVs run us a separate business. EV separate run us a separate business, separate team. I see team. I never say that IC is over. I never say that. Okay. Okay. I see team, for example, last year we came up with radar and Jupiter one this year. Also you will see very new products coming. Zoom. Yeah. Opportunities are huge. White spaces are huge.

Speaker 1:

Yeah.

Speaker 2:

And there is a great opportunity to, to grab more market share in the market. You know, there is a great opportunity to grow much faster than what we are doing today. So we will we, we continue to invest, but the management focus okay. And our strategy interventions are more on the EV side. That's what I said.

Speaker 1:

Okay. You mentioned about 10,000 a month for EVs. Something that, along during the discussion, I can't remember when, but yeah. Yeah, yeah. And you always, you keep highlighted chip shortage.

Speaker 2:

Yeah.

Speaker 1:

I mean, we had, we saw what happened in Ola, right. They promised October, November, then December. And I don't know if people are still getting, getting delays. I, I think that's what you say. Customer comes first. And are you able to deliver the 10,000 confidently looking our supply chain now? Yeah.

Speaker 2:

Supply chain are definitely supporting us. And they're also having lot of confidence. They also visitors. They spend time seeing his believing. So I'm very confident that you will say much better numbers this month and you will see much, much better number next month. And we will come closer to the 10,000 numbers as soon as possible. Next couple of months, you'll see the number once you that get, then we have a plan to take it of our suppliers are understanding us and genuinely there are some shortages. It's not that they're all saying for the sake of saying, when I say shortages is the combination of lead times, as well as shortages. You know, you need daily supplies. There are, there are today. Thanks to the recent COVID issues in the China. Many things are delayed. Many ships are delayed. You know, whichever part of the world material has to move in. It is not moving on time. Okay. So there are, there are plenty of plenty of challenges in terms of transp and lead time today because some of the chips which are coming from Germany some of them are coming from, let say, Taiwan or Japan material is there, but it's all in the ship. And ship is delayed by two weeks, three weeks, which means you lose that month.

Speaker 1:

Okay.

Speaker 2:

So,

Speaker 1:

Okay. Okay.

Speaker 2:

So this, the, a combination of challenges and the recent war is also creating some confusion and problems with respect to the, the lead times. Okay. I'm, I'm not talking about the cost that's right. Cost

itself. There are some challenges in the material cost, etcetera, etcetera, that we will manage, but the lead time, so you put it in the shape, then we try to air it. Then air is there to prepare a fish batch there dependent on some raw material from somebody they're in the ship. So it's a, it's a higher one to tire three, two, you know, it's all linked,

Speaker 1:

But, but for IQ in particular, right. I, I was trying to allude to miss by Ola, right? And, and to a certain extent, this is a new supply chain for you, new product for you. I'm just wondering how confident are we of managing that situation.

Speaker 2:

We are pretty confident. See, there are the three bottom things we need to understand. Here also we have leveraged as many, as many existing suppliers as possible, only semiconductors. For example, when we went into BS six, that is the first time all, all our vehicles are EFA today. Okay. EFA has got lot of semiconductor challenge because some semiconductors, some suppliers, some facility, some transportation lead type. Okay. So we, we are now, today, we, our understanding of this area is also far, far better.

Speaker 1:

But how about BMS? Right? The localization of BMS production, the localization of EV motor production, is that already done in India or not done? Done? Are there international problems done? Done, done. Okay. Done. I, I think I'll leave it here. You probably have another full day of meetings ahead of you. So appreciate this. And I hope we get to meet face to face the next time.

Speaker 2:

Brilliant. Kevin B Kevin, and all the colleagues who have joined from your company. Good to see you. Thank you so much,

Speaker 1:

Kevin. Yep. Thank you. Thank you.



**“TVS Motor Company Limited”
Analyst Call**

23rd May 2022

ANALYST : MR. RAVI BHATIA - PORTFOLIO MANAGER AND AUTO ANALYST - ABU DHABI INVESTMENT AUTHORITY (SPEAKER 1)

MR. DR RAO - HEAD - INDIA EQUITY INVESTMENTS - ABU DHABI INVESTMENT AUTHORITY (SPEAKER 3)

MANAGEMENT : MR. K N RADHAKRISHNAN – DIRECTOR & CHIEF EXECUTIVE OFFICER – TVS MOTOR COMPANY LIMITED (SPEAKER 2)

MR. K GOPALA DESIKAN – CHIEF FINANCIAL OFFICER – TVS MOTOR COMPANY LIMITED (SPEAKER 4)

Speaker 1:

Sir. Thank you. Given the time constraints, I'll immediately focus on some of the key things on our mind. So sir, on the EV I'll just kick off with that. That's really top priority for everyone right now. In, in, in ice, the, you know, in EVs, the competition is obviously from the existing ice players, as well as some of the new players. And some of the new players are obviously they tend to be a little more disruptive because they, they have the capacity to raise funds and they don't mind making losses for a long time. So the nature of the competition is a little different and obviously the requirement for investment in R and D and various things associated with that is obviously there for the next several years. So in that context, if you can tell us about how you are approaching this in terms of your willingness to absorb losses for a certain period of time. And in that context also thinking about should we subsidize this? Should we try to locate at various other strategic options? If you can just talk broadly about this in the next few years.

Speaker 2:

I think Ravi, the strategy of customer always number one for years.

Speaker 1:

Yes,

Speaker 2:

We focus on the customer. So if you look at iQube, we started about 10 years back thinking about what should be our product for the segment. And we fell to them as for our common band would be the best, you know, so we looked at iQube and it is when we launched it. People were saying that it's well round. It is not stylish. It is not sharp, but I can tell you the most sought scooter in the EV market in India is iQube more than 12,000 booking only from 33 cities. And I am not extended primarily because we are not able to hit that 10,000 per month, thanks to semiconductor, but I'm pretty confident because now semiconductor companies Tire 1 & Tire 2 to everyone has visited us and they have complete belief saying that the is when they say something it'll happen because they are all new set of people with whom we are working, whether it is you knows or Renaissance.

Speaker 2:

These are all earlier. We used to work with the Bo of, you know or , or they may supplying some, their limits to these people, but it is all through electronic fuel injection, or, but today we have semiconductors and MOS, which are coming from these. So that's number one. Number two, recently you've seen iQube itself is coming to three products more. Yes. Okay. We are moved from the latest technology of 21700, which gives huge benefit to the customer. So the rage goes up, there are many, many features goes up, okay. Including the seven inch digital music control turn by navigation, telephonic control, OTA, voice assist, themes, cetera, cetera, cetera. While we also increased the, the capacity of EV capacity to 32 liters. Okay. Because many of the common customers in Jupiter, 125 says, this is brilliant. So I'm pretty confident the most.

Speaker 2:

And the very important thing at this point of time is to make sure that we come up with products, which are delighting the customer. That is strategy one. Okay. And in this year, 22, 23, you will see many more products from two Wheeler side, which will be more on the premium side. Like you see in talk, or do you

see a Pache coming from EVs in the next 24 months? Okay. Some of them will come in October an hour that time. And you, this is something which we believe in, you know, we have, we will have a complete portfolio of two and three wheelers from 5 to 25 kilowatt. And you will see quarter after a quarter of something coming in. Okay. In addition to this, the most important thing is even though today, majority of the customers are doing home charging. We should also be well prepared and well connected and invested in the infrastructure charging infrastructure, especially. So we have got now partnership with the GOP. We have already, we have known startup our CSL. We do not know how this area of customer usages are going to pan.

Speaker 2:

So we know certain behaviors of the customer, but we have to constantly look at what are the other areas where the customers are. So we are investing in that the third and the most important is looking at for example, in iQube itself, the motors controllers, BMS the IV C everything is completely designed by TBS. Okay. When I compare with some of the other startups, they buy sub assemblies or parts from outside, they assemble it and give it to the market. That according to me may not work out because you can use once twice. But if you have to look at the kind of cannons of products and technology, what you have the customer, you need to have your own in-house capability and development. Okay. Now coming to the second question, what you asked is on the investments to me, this is similar to investments in Indonesia or three Wheeler.

Speaker 2:

I think it's not different. I think you need to invest you use the right word. These are investments are not cost. Okay. You invest in EV motor control or I C software. Okay. Because software is one of the things which we will have to do in a big way, because tomorrow everything will be OPA. Everything will be subscription model. Okay. I think, I think many of the examples, what you see in the smartphone, you will see in the EV sector from EVs. Well, that is the way things are going to change. And I, I, I promise you that is going to differentiate.

Speaker 2:

So, and, and on, on the other side, once you have the top line in terms of customer satisfaction and top line growing, many of the customer with 21 700 itself, you will see better range, better performance, because this is the latest. Okay. So the moment the volume comes, you get the latest technology, you are able to partner with the suppliers. Then we'll also look at not only in the latest, when we look at the latest, which also in terms of the cost, when important advantage in this industry is when you know the entire one and of the semiconductor, they keep changing because they were huge scale. And every time electronics, the cost comes down dramatically. So it's more and more critical that we deliver first 10,000 and then scale it 25,000 per month. Okay. And the third and the most important is we can now start looking at looking all the developed markets so far. We are only in the developing markets. The current exports are only in the developing markets. So how do we use these products for many of the developed markets, Europe, or S or Japan, or I think we can, we can start looking at it.

Speaker 1:

Right. Right. So we, which means, I mean, we, we always appreciate your, you know, approach to absolutely sticking to the basics and what customer wants which some related points is this in, in this entire thing, there is obviously a very large amount of subsidy close to, you know, 50-60,000, if we add up everything. And even after that, obviously there is some losses that each company is really incurring.

So we should, in our, in our mind, we should assume that next several years, as the volumes grow, losses will also grow

Speaker 2:

Right. 24 months,

Speaker 1:

24 months.

Speaker 2:

Not several years.

Speaker 1:

Okay. Okay. And so, can you explain why,

Speaker 2:

Because the moment the moment you are able to position your products, for example, there are three products now in iQube itself, I'm pretty confident that people will always look at SD, not the entry level, whatever strategy we have used in Jupiter. Okay. Maybe the base model, you may not make a loss, but you may not make huge margin, but the more and more people look at aspirationally high tech products you make better. And the more select Jupiter when we started the journey hundred percent was based model today, more than 50 CEX and classic and Grande and connected. Okay. So it is possible by focusing on product features, technology, consumers are willing to pay. Consumers are willing to look at premium products. Okay? Apache, I don't have stocks today. Radar, I don't have stocks today. When I say stocks today is the dealer

Speaker 2:

I agree. Pandemic is hitting. I agree. People have just come out. Rural is slowly improving, but whatever I, that is also true. Whatever I am saying is also true. You ask any of, they will say, oh, this company is not supply radar, not supply Jupiter, not it is not in line with the demand.

Speaker 1:

It's a good problem to have, sir.

Speaker 2:

You a very, very good problem to have the set of customers are rich, who are aspirational, okay. They're willing the money. And it's a great news. Great news about India. Great news about international market,

Speaker 3:

Gap. Also can, the, the cost structure is also expected to change. Going forward in the EV is not. That will also help us. What can is talking about 24 months. One on the pro premiumization product makes also the cost structure

Speaker 2:

See the more and more we start giving the volumes the same strategy, whatever we have used in 10% journey. Also, the more and more you grow ahead of the industry. Systematically, you get both sides, you know, you are able to price it better. You are able to get the variance on the front end on the back end. You are able to get the supply chain benefits. You're able to commonize the platform. You're able to reduce the cost. Even \$1, you reduce, you know, vehicle suddenly the volume multiplier will give you that benefit. And more and more digital marketing expenses will not be like, you know, whatever we have seen in the past. So it's, it's in every line, you will see the benefit of it.

Speaker 1:

Right. Right. OK. And the subsidy elements, that's a pretty big gap in this 24 thing. You're

Speaker 2:

Obviously not in a close to group. I can tell you, maybe at this point of time, we have to believe all the subsidies, but we have to be prepared at some point of time, whatever we have seen in RO DTP or export benefits, you know, the go up, you know, if you have to look at self sustainability I think we have to prepare to move into a situation today. You assume these are all initial, initial support. What you will get to, to stabilize things, but on an overall basis, maybe going forward, maybe you may get the GST benefit, okay. Or you may get some benefit, may not be the, what you're getting today. I'm pretty confident that the initiative, whatever government has put currently is good, but responsible companies like our should work on, on a, on a very kind of a scenario, which is stable which is win, win, win for everybody, win for the customer, win for the government, win for the . That is a way I look at it

Speaker 1:

Right in as the volumes grow and all the cost items come down and you premiumize get better realizations. I would imagine some of the gap will flows but obviously there will still be a gap. And so, and given the rising volumes, you, you are willing that it,

Speaker 2:

Most importantly, while as a company, my maximum time goes on future mobility. And EV I hardly spend any time in IC, but IC is not going be zero. Internationally is not gonna be zero. So we're gonna see a time when is ramping IC is also going extremely well for,

Speaker 1:

Right.

Speaker 2:

So this investment, fortunately, we are going be supported by the kinda what you're seeing here. And you would've seen over last two years performance when we had lot of challenges on availability and chip availability in the products, whatever I said, the headwind on material cost increases, you know, and a pandemic off and on hitting lockdowns. I think last five quarters of 10%. I think that should give you a lot of confidence that seriousness on focusing on the strategy of premiumization, international market focus, also the kind of brands, whatever we have launched in the last couple of years, and also the cost reduction initiatives, including you look at our marketing cost significantly has come down. So

overall, if in a difficult situation externally, internally, we are able to deliver 10% slide. Tailwind is good to help us in a big way.

Speaker 1:

Yes, yes, of course it is very commendable. All of that. We've seen the last, last several years actually. So let's move to the other investments in Europe, Europe starting from Northern, and then the Swiss mobility and the ego. Can you, can you talk about what is this overall everything leading to, I mean, is there a bigger picture in mind or is this like evolving and what, what are we really looking at?

Speaker 2:

I, I, I can tell you this all based on very clear strategies why do I say that, you know, our IP space, including our Indonesia product plan and the range, and, you know, our geographies today, mostly we operate on the developing area. Now we are investing in the EV space in India OK. In two wheelers. And we also know that we are currently designing and developing the platform of cool, cool products to wheelers for BMW, for the global markets, which we can also use the platform, the difference between the earlier relationship and now complete design is by us. Mm-hmm okay. So please put this as 1, 1, 1, 1 point, we don't know Europe, we don't know development markets and look at this CMG, as you know, it is a, it is a, it is a company which has got E cycles.

Speaker 2:

They are only channel distribution. They are brands like silo, simple zit. And if, if I look at the entire Europe, the industry, current penetration is 15% of e-bikes. And so far the CGR is 18%. And they are looking at something like 25% CEG are going forward on the cycles. So I'm not presenting that segment. I'm not present in Europe, I've over a company. They're, the omnichannel distribution business and their profitable company last year. I think my memory is right. They are hundred million and profit tax was some 5.7 million. They, again, I'm hoping I'm, I'm saying the right numbers.

Speaker 2:

So purely, purely in this markets demand for this EBIS are going to go. We can leverage what is most important is the process. We are gonna learn about the customer usage. And imagine at some point of time, we can also position our E from India into this markets. Okay. But we need to understand the customer first, his usage, his behavior. Okay. So CMG is definitely going to help us in terms of understanding the customer usage, who's buying, what, what purpose they're using it, how they're using it. Of course, E bicycles are going to be part of our product rate, which is available with our capability. We can also look at their cost, their technology, and how do we leverage to other markets?

Speaker 2:

We can look at our E two Wheeler range, what we are making here for many of this developed markets. Okay. I look at Norton, as you know, it is a, it is a premium. We are not presenting that category today. It is going to really supplement into, into the super premium category, again, developed markets. So whatever we have acquired so far, it is going completely supplement and support the range from E to the premium buys. I hope you understand. And with the EV investments, whatever we are making on the products we want definitely get into develop, not only developing markets mm-hmm, so this is a complete strategy. And, you will see that getting executed possibly in the next 24 to 36 months.

Speaker 1:

So the distribution part and the, the understanding the consumer part obviously that is, that is extremely critical to get there. And so in, in terms of investment, you're saying where we are investing in India in the EV that itself we can use to sell this. So there is no big investment in that context for Europe, except for not.

Speaker 2:

We, we have to see, there may be some maybe platform change may not be required, but there may be some fine, fine tuning the design, or you know, the I B C U or some clusters, or the way that, that we have. Fortunately, we have learned by through our K2 three project with the BMW every month, they're selling something like 2000 by globally into all developed markets. So fortunately we have got the customer understanding and usage. So I think these are all very, very useful inputs for going forward, leveraging the new products in the EV side, whatever we are designing and developing here. Okay. E cycles itself, who knows it may come into India also as well. So, so there is a, there is a great opportunity to understand usage behavior and then design, and also look at the cost because definitely India, I believe India is what a terrific supply chain. Okay. The products whatever we have supplied the BMW, I can say that practically 98% is indigenous supplies.

Speaker 3:

OK. Just, just to your understanding is very correct. Release there's an investment required for not, that will not be any significant investment required for a CMG going forward. That's what K also said.

Speaker 1:

Very rightly and in terms of the market readiness or market preference for, you know, EVs in general in Europe, if that is the direction you are kind thinking is, is that basic sort of you know, assumption sort of, is there like some basic proof for that customer.

Speaker 2:

You can, you can also come up with some new IC vehicles, challenges, existing brands, but this is a kind of an opportunity for all of us. When I look at it, if you give a good DV product, you know, everybody has got the same level of opportunity, you know, and somebody like EVs can really design and develop something and completely look at the durability, reliability focus after sales customers focus and also connect with the customers. I feel there is a great opportunity for somebody like EVs. We are not a, we are not like other startups buy something and assemble something and give it to somebody. And if some problems are there, leave it to the customer. We are not a company like that.

Speaker 1:

I understand.

Speaker 2:

We always when we went into international market, we put the spare parts, we put the service facility we did not behave like Chinese or some of our Indian colleagues. We invested behind that saying that, you know, the first service will be after thousand kilometers and which is after almost two weeks or three weeks. So we should be ready for the customer to use our service facility. They should get the confidence. So buying is only one type of a process, but owning and using there, we have to give a

confidence to the consumer that I'm there. Yeah. Even if you have any doubts, clarification, I'm there to support you. I think that is very, very particular in this business.

Speaker 1:

I understand. So my question was the basic premise is that EVs, I mean, European customers want to buy and run EVs. And do we have that some, some kind of initial

Speaker 2:

There, the time is happening, really, definitely transition is happening. Okay. Now we have not done enough research on the high end bikes. Anyway, we are not starting with that. You know, we are starting with very four kilo, six kilo, and, you know, I said five to 25 kilos. This is not going to any way interfere with the highend bikes. Okay. And that also gives us an opportunity in time. We cannot start with something highend and you know, challenge the existing big brands, even in IC saying that I have what an EV, which is better than the highend bikes. I, we don't have the credibility and brand at this point of time. So we should be very careful where to look at which market to enter which area to enter, create that positivity about EVs for that the current set of products will be great. They'll use it more for leisure. They will it for, you know, they not use it for immediately for commuting in a big way. Okay. So start with that. And then you can always graduate and you can, at some point of time, Norton can have an EV version, you know?

Speaker 1:

Okay. Okay. So the way to see this is we are testing waters and you know, about EV in Europe is just a very early stages trying to see if there is demand from the consumer that's.

Speaker 2:

We're not testing what we're very serious. That's why we have invested in CMG cycles are making a huge difference, 18% CG. That's why we invested in an CMG kind, a company who have got certain brands of their own plus they have an omnichannel, so they have their own stores. And we are really, really every day looking at who's coming, who's buying, how is it happening? What are the customer usage that is on one side and it's a profitable company. So E cycle, we can layer it with the products, whatever we are making here.

Speaker 1:

Okay. And how competitive is that market CMG? Oh,

Speaker 2:

They're very profitable market, very profitable market. And you know, the pricing yeah.

Speaker 1:

Market leaders

Speaker 2:

Also. Yeah.

Speaker 1:

Yeah, because it, it looks like apparently the technical complexity is not too much in that in those products. So I would imagine

Speaker 2:

We can, we can bring our technical progress there because if you're going to be a common, somebody else can also come tomorrow. Yes. So even in E cycles, you can bring your technical competence and say, these are some features I give it, you know, to high end, you may have still some entry level E cycles, but you can also leverage your technical superiority and investing in certain design and development of certain products. So all that, what I'm saying is this is gonna give us a huge opportunity.

Speaker 1:

And when you say huge opportunity very broadly, if there is any estimate of the potential market size that you have thought of, just very roughly in your mind that maybe in five years, this is possible.

Speaker 2:

The work is going on. See, for example, when, when we looked at investing in CMG, the most important thing we looked at there growing market customer usage, customer prefers, and definitely we looked at extra five years, how it is like grow minimum. We expect the cycles to grow 18 to 20% CG, okay. With with now green and many things initiatives, which are going on all the cities. Now, this gives us an opportunity to look at E cycle as a complete product portfolio for us, not only for Europe, many other markets,

Speaker 1:

Okay.

Speaker 2:

Today that is going to complete that, that, that product portfolio is just going to be supplementing our E scooters and E three wheelers and all, and Norton is in the, so suddenly you'll see a range from E cycles up to just imagine that.

Speaker 1:

And so coming to nor then that, that will be a different volume altogether, right? Given the premium motorcycle, although the brand is there. But there will be a lot more work that will required on that.

Speaker 2:

See, we have, we have, now most importantly, what we have brought in is our quality and quality standards. We have moved to a, a new locations only held and we have become operational quality system implementation this year. We are looking at some of the products like we, four S3 we four cafes. These are the products we are looking at. How do we, how do we make sure that the quality is brought in and how do we start delivering this to some other customers? So that is focused this year because last 20 years they promised and they have not delivered many things. So we have to deliver that second. We are also building up a proper product plan a brand plan and also investment in technology plan while we will definitely on world manufacturing, sustainability, future of mobility, every limit of what you see in EVs will be seen there. So I'm pretty confident that this is completely going to give us in the developed

market, certain space. And of course these products can be brought to India. Okay. Even before you think it's, it's a question when to bring in how to bring in, okay. At this point of time, succeed in the markets where the brand often is very famous.

Speaker 1:

Okay. And more, I mean, the product and the tech, the technology and the quality standards, you know, that, that, I think you have, you've complete control over that, but what about marketing and this marketing expense that will be required? I mean, that, that market,

Speaker 2:

At this point of time, we are investing in creating the product itself because the three products, whatever I said, practically, we have to assure quality. So a lot of testing and manufacturing and supply chain, all the work is going on now. Okay. Now once they're ready, we want to deliver to some customers. And then, so at that point of time, I agree with you. We are also looking at who could be our distributor, which markets, how many dealers are distributor, what all things we can do. Fortunately we know these markets now a little better, thanks to the K three you know, so the high end market, how it works, what of customer expectations? And we also have product like Apache. We also have R three 10. We also have entire kind IC products. Okay. And we are also planning to come up with certain models in the premium category. So hopefully by another four quarters, not only we will have a product range, you look at a distributor or marketing set. You need to offer a range. Initially they will come only for Norton, but we may have to look at a range of products. So that, and these products also, we can also test in this developed markets.

Speaker 2:

So it's a, it's, A's a kind of a win-win for everybody.

Speaker 1:

Mm-Hmm OK. So for Norton, specifically, we should, we should expect volumes to start coming in after the year time, roughly very small volume

Speaker 2:

This year, you'll see some volumes coming from this products. What we, I, I, I told you we for three and we for, and under 96 and command, but going forward, there will be, see, we have invested. So we want to show really to the world that we are competent delivering set of products to the market under the

Speaker 1:

So in a few years, think the size of it will also be meaningful in, in two, three years time. I, I wish.

Speaker 2:

Ah, it'll be excellent. I promise you

Speaker 1:

OK. OK. We look forward to that. RA other questions on, on this portion.

Speaker 4:

Yeah. Yeah. On the premium answer. So this K zero to K zero three. Just wanted to understand the custom cause we don't see anything in India. So what has been the customer feedback? Is there a mechanism?

Speaker 2:

Oh, India, India. They sell 5,000 after we started giving this they've got best market share in India. They've grown 83% globally. Number one market is in India now.

Speaker 2:

We have delivered to them, they have done 83% growth this

Speaker 2:

Last week or week before that their Asia Pacific was there to celebrate. They invited me as Just to say that,

Speaker 4:

How that is something

Speaker 2:

And how we are able to build a one thing I can tell you, BMW is one of the best in class in quality and durability.

Speaker 2:

You can smell it.

Speaker 4:

No, no. We see, we see the BMW baker motorbikes here, sir. They are amazing. I mean, in my apartment complex itself and I see them, they're this kinda,

Speaker 2:

That's the same philosophy like EVs, you know, never compromise on quality durability and customer. Yeah. Never, never compromise. Even if there are some short term push from some competitors on whatever, never compromise on the sustainability on the, on the, on the always look at for the future, not invest, but this quarter and export brilliant.

Speaker 4:

Okay.

Speaker 2:

They also believe in us that we also believe in them. That is why they have the, the electric. Cool, cool. Two Wheeler. Let me not put a name to that. Then we will catch on that. You know, is completely designed by us.

Speaker 4:
Wow. Okay.

Speaker 2:
If they have the confidence that TBS and completely designed and develop in addition to manufacturer and supply chain, please look at the relationship. It is very strong.

Speaker 4:
No, I was very excited when the first BMW announcement came, I think three 40. So whenever it was, I was very,

Speaker 2:
Honestly, I can tell you, we can all be proud. Not that I'm working for EVs. Okay. All of us can be proud that exactly giant believes in somebody like Devi to build a platform for the global market in

Speaker 2:
Forget about EV.

Speaker 4:
Yeah. No, that's good to know. So I'm sure. So those that come fast, significant.

Speaker 2:
This itself, you come around and walk around and talk to the people. You will get the feel of whatever I'm saying.

Speaker 1:
I will, I will definitely plan for it. As of now that travel plan is Delhi.

Speaker 2:
You just here three, four, just, just fly here three, four hours. Then you can go back. Not a problem.

Speaker 4:
So give us two, three answer. Just let the monsters go. We'll come and spend full day.

Speaker 1:
Actually I think our to also come. So that's

Speaker 4:
Yeah. The interest of tens continue.

Speaker 1:

Yeah. So as you were saying investments in the future, of course we are seeing last two years, you made a lot of investments. And even if we see more like this in the next few years I don't know if that is a plan, but if that is a plan, then you're saying the ice profitability improvement will keep supporting it.

Speaker 2:

Of years we, we don't want, we don't want ice to support EV beyond two years. I promise you that.

Speaker 2:

At this point, see, at this point of time, I have a three year product only sharing this portion of it, because both of your investors three year product plan means I have to invest in the technology, people, software people, everybody today, and also supplier yourself to invest.

Speaker 4:

Yeah.

Speaker 2:

Okay. Supplier should have the belief that okay. And couple of products comes in, the revenue stream comes in, then nobody need to support DV. It'll stand on itself.

Speaker 1:

Mm-Hmm great. Great to know that. And so in general just since we are on that point, the profitability on ice, we we've seen significant improvement and, you know, percentages, whatever it is, but per vehicle level, I think it's at near the highest ever. Right. And even percentage wise, it is the highest ever actually. So now from here on how, what is the aspiration in terms of the profitability? I mean, I don't, I don't want guidance, but directionally, what, what, what are we looking at next year? Yeah,

Speaker 2:

You can see, first quarter I have only one setback. Apache production is affected. Radar production is affected thanks to one of my key suppliers. Okay. Is it, is it genuine, genuine? So I'm, I'm, I'm also supplementing with some alternate suppliers, pretty most importantly, trader Jupiter, 125, Apache practically, no stock in the market.

Speaker 2:

Okay. So we are now looking at how do we, how do we deliver more and more? So I'm delighted. Actually, this is a great situation because in such a market, when there are a lot of people are talking about difficulty and discounting, customers are saying, I want these three brands, please deliver this. Okay. And I'm positive that with the mitigation plans, whatever we have put in from June itself, you will see better delivery of Apache, better delivery of radar. And we are also planning to increase 125 and not only the new products are moving up, the existing models are also moving up. Okay. So this is on the domestic market international market. We will take it beyond no one left. Okay. And we always believe in keeping below one month stock. When I used to talk about four years, five years back, people used to ask me, don't know about your competitors are eight weeks, six weeks, eight weeks. Are you missing any opportunity with the today? Everybody knows daily retail. You can keep on both to that. I'm giving eight stocks and 10 week.

Speaker 1:

Yeah.

Speaker 2:

So, and as much importance you give it, your working, you better respect yours and suppliers. My, my thinking is very simple. Be lean. Okay. And you know, typically I always tell my people that when we get into a restaurant, we want to speed up. Okay. If, if somebody gives 80 days and 40 days and 60 days, you know, people don't like it, people want hard for those are I I'm. I'm saying to my people, can we deliver how quickly we can deliver from production to the customer? So the customer gets within few days of production. Of course, these are the kind of challenges and the areas we need to move on. In my opinion, produce to not stop produce, to sell,

Speaker 2:

Complete pool system, complete pool system that that brings down the cost significantly. You rotate the money at every level, much faster. I can proudly say two years back, we have come outta complete credit, which is given by the company. Nobody, even today, some of my competitors, not some, all my competitors are credit giving credit. Again, I'm not against credit. My worry is when you give credit, you give both and unwanted to the dealer.

Speaker 1:

Yes, absolutely.

Speaker 2:

Market by market. When I say unwanted is not unwanted. For example, if you look at best bang, they only red color. They want only black color by my, my, my, where people are. If they have red color and black, they'll put some, the black will get stuck in the get in. So my belief is give what the customer wants and you demand what you want. This is sustainable model.

Speaker 1:

Got it. Got

Speaker 2:

It. Negative into negative is positive. Only in mathematics in life, negative into negative is a bigger negative.

Speaker 1:

true. So, so, so I take it as, as the volumes grow from June onwards and as the premiumization continues, we should keep seeing margins going up.

Speaker 2:

You will see next trajectory of movement from DVS.

Speaker 1:

Fantastic. Fantastic. Looking forward to that. And on international markets, sir we saw very strong growth last year. Can you talk about what, you know, what are the factors leading to that? And I think most forward,

Speaker 2:

Most importantly, our customer focused approach, service parts and product range, HL hundred HL, 1 25 HL X hundred 50. Of course, I'm not talking about APA here. I'm not talking about radar for the benefit of all of you. We developed for international market, But we did a small, small market research in domestic. People said, whoa, this will work.

Speaker 1:

Yeah.

Speaker 2:

Okay. So we put it here also. So it's, we, we always look at customer, customer, customer, and prospect. It don't look at the existing customer who is indenting to buy three months, six months, nine months, like ask them and ask them to get a feel. Ah, this is brilliant. This will work. Okay. Fine. Fantastic. Put it. So one is that second is fortunately I think the currencies are stable, little bit of setback cause of this war. Okay. But I'm assuming that it may not affect us in a big way because we are, we are not into Europe. We are, we are, we are mostly in Africa, Latin Austral countries. There are delays and there are some exploitation by the container group. Everybody wants to make money. Okay. But overall you know why I'm saying the delay in container, we always keep less than one month. So I'm also talking to the distributor because ultimately of the one month stock, you should not lose the retail, you know? Yeah. Port of that area distributor say we don't have stocks. So can you, can you supply us a little bit more? Because the container placement itself and containers, whatever they sell 20 days or 36 days, they take another one week, 10 days, 15 days. So not a big challenge, but these are things we have to calibrate.

Speaker 1:

So it's, it's not about lot of new markets that have come in last year. It's just markets,

Speaker 2:

New markets, full focus, full focus, like what we, Africa's a great opportunity for, to gain significant market share in the lifetime region. Okay. Same way. That is a great opportunity to, to gain markets like Philippines Vietnam, Cambodia allows these markets, you know, the, the markets, unfortunately me, we were doing very well S Lanka. We were doing very well, both are closed for different reasons, but we have to take another existing customer, which is going on. But I I'm, I'm hoping that maybe we have to give some time for these markets to open. They will not be zero. They will not be zero, but okay. So overall IV will do extremely well. Extremely wins extremely well, take it from me.

Speaker 1:

Okay. well, we are happy to hear that. And sir, as you mentioned, you know, in the Indian market, the aspiration, not as the premium and the higher end consumers, obviously they're doing well and they're prepared to pay more.

Speaker 2:

Money. Is there re money? Is there you come and smell India?

Speaker 2:

Other day, some of my colleagues from BMW came, so somebody said there is a garden here in that has not gone there. I went there, it was full, full

Speaker 2:

Not only beer is overflowing. Money is overflowing in India.

Speaker 1:

Yeah. And I keep talking about it sometimes. Any, anything to do with drinks? I think it's all always full all the drink shops, they're crowded, like, you know, people hoovering around like flies. So , I, I understand what

Speaker 2:

See in a lighter way last week I went to GU temple and never seen the kind of Crow. Never.

Speaker 1:

Wow.

Speaker 2:

The, the was in . They ask him, of course we, we have VIP and all that. We get special version, but you can't imagine, I think people want to be outside non India.

Speaker 1:

Absolutely. So just coming back because of the time constraint, the, the question was on the rural part and the MOED customer rural,

Speaker 2:

Rural, rural will improve this year because reasons thanks to the rains supporting agricultureproducer doing well. Maybe I see an opportunity here because of the water. You know, the wheat export is going up. I think there is a good prediction that this year are going to be very good. And the initial feel of the initial feel of the marriage season is very positive from the ruler.

Speaker 1:

Yeah.

Speaker 2:

Though, one month field, I, my prediction is this year, rural will do India very well.

Speaker 1:

The MOED customers typically that, that customer's income, that customer expenditure.

Speaker 2:

Mo declined by 38% plus please understand CT Hendrick HFD L of a hero. They decline 58% Entry level. There is a problem entry level customers. Now only the daily wages. And self-employed now only they have some stable income. Okay. So far lockdown, lockdown, lockdown, and no regular income has definitely affected them. So if you ask me on one side, money is flowing everywhere, especially on the higher side. That is why the premium is, But at the entry level, any lock, well, any lockdowns and many challenges, their income levels have come down and only prices have been going up for our products. Thanks to last 36 months of all regulations that material cost increase and five, 5% of 50% cost increase in products like more and, and 5,000, their income has not gone up. So I, well, I think definitely to investments are in,

Speaker 1:

So is non agree and urban low income, right? Those, those two segments.

Speaker 2:

Absolutely.

Speaker 1:

There is, there is no respect yet it come,

Speaker 2:

They they're all now seeing with the vaccination. I think India vaccination and the booster vaccination has been brilliant. Okay. Last two years, the schools are not open. See the, the schools and colleges use the entry level Okay or the basic, or the entry level motorcycle, or even more open because parents one, they don't have money. Second. They don't want give them products, which are high power. And, you know, their total cost of ownership always look at it And right. And they're purely, purely like operationals. They want to look at the cost of operations house to school or college and come back and it has to be productive, you know? So all you will see this year, things will open up so that I think it's a combination of rural schools, colleges, everything opening up at the same time. Okay. So I think, I think it should be a good year.

Speaker 1:

Great. Looking forward to a great day now, anything.

Speaker 4:

So last question.

Speaker 2:

Me, please call me K,

Speaker 4:

Just three. How should we think about the opportunity set? Great

Speaker 2:

Opportunity. See the three Wheeler we are doing extremely well in international market, domestic market. We are doing well, but Evie gives a great opportunity because whatever the permits and older relationships nothing will work in AV .

Speaker 4:

Yeah.

Speaker 2:

So we have only to gain nothing to lose in the EV side.

Speaker 4:

Okay. On three. Yeah. That's an important issue. Okay. Fine. And there's an active product development program.

Speaker 2:

You will see our products with CSL. We have got 2000 orders. We'll be delivering that.

Speaker 4:

Okay.

Speaker 2:

And you will see our three Wheeler very soon.

Speaker 4:

Okay. Fine. Look forward to that. I'm sure that will have its own.

Speaker 2:

It's a, it's a time of great excitement. I can promise you that.

Speaker 4:

No, no, clearly. I mean this suddenly post COVID complete, the two Wheeler map has changed and know we have to really thank you. So for giving us so much confidence in what you've been doing and the way you've approached, notwithstanding the disruptive startups and all the noise, the Bel levels were.

Speaker 2:

So I think, I think the team was brilliant team was brilliant. And I think our people that investment behind technology quality, most importantly, investment we have customer and quality is paying the returns. I, I would put it that way.

Speaker 4:

Yeah. No, all we're really taking. Yeah. Yeah.

Speaker 1:

No, I was just saying in the reviews, I mean all yes. All the product reviews, so it's, it's really good. Fantastic.

Speaker 2:

Thank you. Thank you so much. And thanks for your confidence. Thank you

Speaker 4:

So much. So for September, we'll definitely come and visit you, sir. Yeah.

Speaker 2:

Please, please, please,

Speaker 4:

Please.

Speaker 2:

Thank

Speaker 1:

You. Thank you so much. Thank you. Thank you very much. Good talking. Thank so.