



“TVS Motor Company Limited”
Analyst Call

16th June 2022

ANALYST	:	MR. RAJ RAVISHANKAR - SENIOR ANALYST - TAIYO PACIFIC PARTNERS
MANAGEMENT	:	MR. K N RADHAKRISHNAN – DIRECTOR & CHIEF EXECUTIVE OFFICER – TVS MOTOR COMPANY LIMITED MR. K GOPALA DESIKAN – CHIEF FINANCIAL OFFICER – TVS MOTOR COMPANY LIMITED

Speaker 1

Under this again.

Speaker 2

Sure, thanks.

I didn't see.

Speaker 2

Right?

Speaker 1

Right?

Speaker 2

Let's wait.

Speaker 1

Morning morning.

Speaker 1

Good morning.

Speaker 1

OK.

Speaker 2

The one person is just joining from middle lines 45 minutes.

Speaker 1

Any patera?

Speaker 1

Yeah, yeah.

Speaker 2

Half an hour we will spend he has prepared before it is shown to suggestion.

Speaker 2

We have to just eat.

Speaker 3

2nd please.

Speaker 4

Myself Raj from type.

Speaker 4

I have to speak partners.

Speaker 4

Hello Sir, good morning please meet Raj from Tioga St Partners.

Speaker 3

Thank you.

Speaker 4

You're based out of Seattle.

Speaker 2

OK.

Speaker 4

Sure, alright thank you so much.

Speaker 2

This is Mr. Kenna is the CEO and director for TV's Motor Company right now. Based out of our factory at all so.

Speaker 3

Right?

Speaker 4

Oh, perfect.

Right?

Speaker 1

One more.

Speaker 4

Pleased to meet you.

Speaker 4

Thank you for your time again, so I'll probably give a brief introduction about myself and the firm that I represent and then.

Speaker 4

We can get started.

Speaker 4

Yeah so myself Raj from Taiyo Pacific partners. So Theo is H1 based out of Seattle.

Speaker 4

The firm was started in the year 2001 by three founding partners Brian, Michael, and.

Speaker 4

John, the basic thought process was to identify potential investment opportunities in Japan.

Speaker 4

And we are not just passive investors in any company that we invest in.

Speaker 4

We also want to engage with the company and try to increase the shareholder value, and that's been the ideology on which the it's more like activist fund.

Speaker 4

Uhm, there are like more than five or six Japanese companies where we have more than 5% shareholder. So our founder, Brian, sits on the boards of more than five or six more than four public listed companies in Japan.

Speaker 4

So the India Fund took off in the year 2011 with the same thought process and we wanted to invest in small and mid cap names. So as we speak the total AM for the companies around 3 1/2 billion dollars.

Speaker 4

A major portion of it is in the Japanese.

Speaker 4

Means India Fund is relatively small. It's around 160 or \$170 million right now. We are invested in about 20 public listed companies. We are kind of sector agnostic.

Speaker 4

It's the.

Speaker 4

The investments are spread across, but there are sectors which we avoid.

Speaker 4

Sorry, is it OK if.

Speaker 2

I know that's fine.

Speaker 4

OK sorry, sorry about that.

Speaker 4

So yeah.

Speaker 4

General in general sector agnostic PR invested across sectors which we avoid Hughes.

Speaker 4

Real estate.

Speaker 4

Where there's less transparency or commodities, metals, utilities and stuff like that, but otherwise I think we are spread across as far as their auto exposure is concerned.

Speaker 4

I mean, we had exposure to ancillaries, not OEM.

Speaker 4

We were invested in the top wiring harness manufacturer and we wear I mean and we are invested in one of the leading of Hwy tire manufacturer.

Speaker 4

I think it's pretty easy to guess the name, but I'm not.

Speaker 4

Supposed to give them anyway.

Speaker 1

Mother son mother son.

Speaker 4

So, so correct? That's right, and the off Hwy Tire I'm talking about is probably a bomb based one. 5% global market share and I.

Speaker 4

Think that's easy as well?

Speaker 4

So right now I mean we are looking to increase.

Speaker 4

Our auto exposure as well.

Speaker 4

And two Wheelers.

Speaker 4

I mean it's been in a.

Speaker 4

Period of lull.

Speaker 4

Last two years of double digit dictation and.

Speaker 4

And so the I mean.

Speaker 4

So we thought of engaging with two Wheeler companies and try to see what the future prospects are because rural demand has been sluggish for a long.

Speaker 4

Time because of.

Speaker 4

COVID and many other reasons, supply chain constrains the chip shortage and compounded by the the Russia Ukraine.

Speaker 4

Geopolitical tensions and all that so, so briefly about myself.

Speaker 4

I mean, I've been with this firm for four years.

Speaker 4

I started my.

Speaker 4

Career with ease.

Speaker 4

Uh, during my student I was involved with the National Stock Exchange doing development and maintenance of the trading platform that was in Bombay for about a year and a half post which somehow I got excited in the financial markets.

Speaker 4

I went to UK to do my masters in finance, came back, interned with the wealth management firm based out of Bangalore.

Speaker 4

The firm was started by my dad who was xci of Assim premjee

Speaker 4

So he left the firm.

Speaker 4

He started his.

Speaker 4

Own with I.

Speaker 4

Interned there for about six months and.

Speaker 4

After that I worked with the Murugappa Company for about 3 years as a sell side research analyst covering auto and.

Speaker 4

Uh, so back then this was wrong back Sir. And this was a 2011 yeah I'm a Chennai boy, as my name implies.

Speaker 2

Here in Chennai basically.

Speaker 3

Yeah, right?

Speaker 4

So back then I think SK Mowgli was your CFO?

Speaker 4

During those days 10 years back maybe?

Speaker 4

So I was, I mean, your stock was around ₹100 or something like that. I don't exactly remember what it was, but I used to cover TV S motors as well 10 years back, so I know about the company so.

Speaker 4

So, so it's been a long time, I mean.

Speaker 4

So I mean, it's been a long time since I've been.

Speaker 4

Tracking, but the point is I was with Chola for three years and after that I went on to work as a senior.

Speaker 4

Research analyst for Crystal.

Speaker 4

Uh, how is offshore research associate for Deutsche Bank Post, which I got an offer from Deutsche to join their research team?

Speaker 4

And that's when I decided to go to the US for my MBA. So I did my MBA University of Notre Dam. It's not just an MBA, dual degree, Masters, MBA and Masters.

Speaker 4

Business analytics.

Speaker 4

Somewhere during the entire journey I also completed the CFA and as a part of the internship by joint IO.

Speaker 4

Then I went on to work as a contractor during the second year of my MBA program.

Speaker 4

Got a full time role.

Speaker 4

So in the last three years, I mean, I've been working as a full time for one year, maybe as an intern and a contractor.

Speaker 4

So my journey with this firm.

Speaker 4

Has been for four years a.

Speaker 4

Good thing about the firm is.

Speaker 4

That they give you a lot of freedom.

Speaker 4

Do you diligence checks?

Speaker 4

I mean before when I was a sell side research analyst, the only thing I got to do was meet the company.

Speaker 4

Maybe two times or three times in a year.

Speaker 4

Build detailed financial models and come up with the target prices and all that.

Speaker 4

But here I mean our company says go talk to the customers, distributors, suppliers, go visit their manufacturing facilities, get a feel of what the product is and they give you complete freedom and for all our portfolio companies, we make it a point to talk to the companies at least once in 1/4. So we directly.

Speaker 4

Interact with the promoters.

Speaker 4

I mean our founding partners.

Speaker 4

Think what's really important?

Speaker 4

I mean they got burnt with a few investments in in.

Speaker 4

Yeah, I don't want to name them, but so they thought processes we should know who we are dealing with.

Speaker 4

And so due diligence processes little detailed.

Speaker 4

I mean they want to talk to the promoters, understand the company, what the story is, what the competitive advantages and everything has to fall together.

Speaker 4

So due diligence.

Speaker 4

Takes about three or four months before even we decide to invest in the company because we I right now, if I talk, I go and teach my team by PBS is a good idea.

Speaker 4

And we get on a zoom call with.

Speaker 4

CVO and after they're convinced I come down again, visit Josue plant or like.

Speaker 4

I mean talk to customers or do some due diligence checks and then then the process get the ball gets rolling the initial.

Speaker 4

I mean the.

Speaker 4

Ticket size for us would be 5 to \$20 million as we speak. I mean our largest position is about slightly about \$20 million. So that's the sweet.

Speaker 4

Spot for investing.

Speaker 4

I think I've been talking a lot.

Speaker 4

I mean, without further adieu, I would like to.

Speaker 2

No, again, I grab a clear picture of your company, your association with the company or intent of this visit.

Speaker 2

Since you said you know about previous, do you want us to give a brief about the TV straightaway?

Speaker 2

Go to the questions.

Speaker 2

Or do you have any any specific questions?

Speaker 4

I don't want a.

Speaker 4

Detailed history of the company, Sir, but something on the latest business updates like.

Speaker 4

Right now, in the last two years, or like I mentioned, the two Wheeler industry was the hardest hit among all the other product categories, and I believe 50% of it is because of the chip shortage more than anything else.

Speaker 2

OK, now the right person to.

Speaker 2

Take it through.

Speaker 4

And and I just wanted to understand your thought process on because when I was reading your annual report, I was just looking at the.

Speaker 4

MDNA part and.

Speaker 4

Even your of the same thought process and that rural demand is going to come back strongly this year and just three days back I had a meeting with the auto ancillary company in Mumbai and they were of the opinion that they were also of the opinion that Diwali is when the two Wheeler market will be back to.

Speaker 4

Recovered volumes and there also of the opinion that the chip shortage issues that's been haunting the industry for so long that will be gone even before the end of this year.

Speaker 4

Uh, so I mean, I'm just trying to connect all the dots and I wanted to hear from you what the future prospects are and why that optimism that rural demand is going to come back strongly.

Speaker 4

Thank you, Lord, for this.

Right?

Speaker 1

Yeah, first of all, first of all we should all know that last.

Speaker 1

20 quarters is not normal, it is abnormal.

Speaker 1

So if I if I just forget about those twelve quarters, and if you.

Speaker 1

Look at on.

Speaker 1

A macro basis.

Speaker 1

Uh, why 2 Wheelers in this country will go three reasons number one.

Speaker 1

India has got the right demography.

Speaker 1

More young people.

Speaker 1

And there is a need for mobility.

Speaker 1

#2

Speaker 1

India public transport system.

Speaker 1

If you know I don't have to explain, there's practically no public transport system here.

Speaker 1

If at all something is.

Speaker 1

There it is there in there.

Speaker 1

Urban area.

Speaker 1

OK, but that is also not sufficient.

Speaker 1

India always lags behind creating any capacity.

Speaker 1

You go to the airports.

Speaker 1

Now it is overflowing.

Speaker 1

Always we think like, oh, we should have another.

Speaker 1

100 aerobridges or possibly another big area to keep the flights. All so India, India. The population is our strength.

Speaker 1

And the young people are our strengths.

Speaker 1

However, the capacity creation has been very, very low in terms of public transport.

Speaker 1

So the only only.

Speaker 1

Right option and a flexible option.

Speaker 1

It's a two Wheeler.

Speaker 1

Now coming to the the employment.

Speaker 1

If I look at both rural and urban put together more than 50% of the population are self employed.

Speaker 1

When I say self employed, if it's starting from.

Speaker 1

Like somebody using the agriculture products or milk distribution or newspaper distribution or vegetable distribution, so on so forth.

Speaker 1

Plumber mechanic maintenance electrician.

Speaker 1

Because they use.

Speaker 1

The two Wheeler to attend multiple customers.

Speaker 1

The more they attend, the more money they will make on.

Speaker 1

A daily basis.

Speaker 1

So this is the background, so given this.

Speaker 1

Uh, and the only according to me that what the government has done brilliantly.

Speaker 1

Is creating very good infrastructures?

Speaker 1

We had compared five years back and today the number of highways.

Speaker 1

Are connecting many parts of India.

Speaker 1

OK, there was a period where we have to depend upon train or buses.

Speaker 1

But today I can tell you, even for me from here to Chennai.

Speaker 1

Pastor to come through the highway then to come through the flight.

Speaker 1

Including all the processes of security checking, waiting in the airport.

Speaker 1

OK, I get in here 4 hours.

Speaker 1

I am in China.

Speaker 1

Yeah, so that kind of infrastructure is definitely helping the people.

Speaker 1

Free COVID situation.

Speaker 1

If you look at it, India.

Speaker 1

So CHG are used to be 10 to 12% on the two below 5.

Speaker 1

All of the opinion that that is the real steady state demand you.

Speaker 1

Will see here.

Speaker 1

Or what has?

Speaker 1

Happened pre COVID.

Speaker 1

Also we should know that.

Speaker 1

Today there is of the home location safety standards.

Speaker 1

The emission norms India is the best, not the European.

Speaker 1

India is ahead of those countries.

Speaker 1

We may all wonder is it required?

Speaker 1

Because the you know the kind of.

Speaker 1

Infrastructure what we have the robes.

Speaker 1

What we have the city traffic?

Speaker 1

What we have and other reasons for pollution we have should we be be a six?

Speaker 1

Should we be ahead of unify all these questions we can ask or?

Speaker 1

So we need to have a beer.

Speaker 1

In in verify CC and above because ABC is required when you drive hundred 100 kilometers, 120 kilometers, 150 kilometers OK.

Speaker 1

If you look at an urban or semi urban area, maximum speed you can get is 40.

Speaker 1

However, I think according to me these are the right things.

Speaker 1

So if I.

Speaker 1

If I put it just before coving.

Speaker 1

We have

Speaker 1

I'm taking you little little before with this.

Speaker 1

Demonetization why it is important is 50% of our customers buy with cash.

Speaker 1

So practically for 12 months.

Speaker 1

Cash was not available.

Speaker 1

OK, what was available was used for running the family running the education of the children so that affected the industry.

Speaker 1

Then came the GST.

Speaker 1

Surprising over all the decision makers.

Speaker 1

Majority of the two Wheelers are used to by the bottom of the pyramid or middle of the pyramid where self employed. You know they are charged 28%.

Speaker 1

But as a smartphone in India is 18%.

Speaker 4

The class, yeah.

Speaker 1

Yeah, so these are these are some.

Speaker 1

Also, you should know.

Speaker 1

About it because this guy 10.

Speaker 1

Percent more is much higher, much higher.

Speaker 1

Then came the B is.

Speaker 3

OK.

Speaker 1

Three to V S4.

Speaker 1

Then came.

Speaker 1

The all the safety norms then came the BS 4 to be a six. It's like 1/2 step in general, no BS4 to BS4 fi is not their PS4 to basics.

Speaker 1

In the meantime.

Speaker 1

Uh insurance company thought that no, you know 2 videos.

Speaker 1

The third party insurance should be better than TA.

Speaker 1

In India car third party insurances.

Speaker 1

For three years.

Speaker 1

But two Wheelers is 5 years.

Speaker 1

One increase was there about 3 years back last.

Speaker 1

Month also there is another increase.

Speaker 1

And all put together.

Speaker 1

And of course all the raw material increases every increases.

Speaker 1

So all put together, what you have seen in the last, let's say 12 to 18 quarters is something like 50% increase in the cost.

Speaker 1

Unfortunately, the income level of these people have.

Speaker 1

Not gone up by that.

Speaker 1

The same thing the earlier years used to be done over a period of let.

Speaker 1

US say 10 years.

Speaker 1

So people had some ability to absorb this energy and then their income levels will also help.

Speaker 1

And this COVID in the last.

Speaker 1

Eight quarters, especially the wave one and wave two, was severe.

Speaker 1

Page 3 is OK.

Speaker 1

Now people are pretty confident you know most of the people, even if they have cold, they don't.

Speaker 1

Report they take their own medicine three days, and then after that they are.

Speaker 1

It's like a normal flu thanks to the bank station drive in India whatever.

Speaker 1

We have seen.

Speaker 1

Now coming to the rural area, this anxiety of hospitalization is COVID wave.

Speaker 1

I think we are very, very optimistic that.

Speaker 1

That is not there, so which means they are able to sell their able to travel.

Speaker 1

They are able to distribute, they are able to see the momentum.

Speaker 3

Right?

Speaker 1

But we set it exactly right.

Speaker 1

Unfortunately, when we went to V S6, everything is electronic fuel injection. All two Wheelers are electronic fuel injection.

Speaker 1

So the content of semiconductors are substantially warm.

Speaker 1

And because the content has gone up, that is seriously affecting.

Speaker 1

OK, we have some problems in MBS.

Speaker 1

We had problems in semiconductors for some of the some of the vehicles.

Speaker 1

Particularly, we had two important products at Patch and Raider seriously got affected.

Speaker 1

April was practically zero, production may was zero production this month is little better.

Speaker 1

So this is something.

Speaker 1

Uh, which is definitely, and this is the period after two years.

Speaker 1

You know there are two seasons not only Diwali season April, May, June is the marriage season in India.

Speaker 1

Well, we don't like that every system, but you know.

Speaker 1

Unfortunately people by two Wheelers and give it so this is 1 perspective.

Speaker 1

Another perspective is definitely India is becoming much more aspirational.

Speaker 1

Young people want premium products.

Speaker 1

Yeah, of course their father, mother or whoever they will say no, no, no.

Speaker 1

I'll get you a simple scooter but they want only the premium scooter they want to.

Speaker 1

Leave the premium of the cycle.

Speaker 1

Yeah, and those people who are just employed you know they will always buy a premium product.

Speaker 1

So the premiumisation has been moving in a big way.

Speaker 1

OK, if you if.

Speaker 1

You travel on a Saturday or Sunday in this highway.

Speaker 1

OK, if possible you try.

Speaker 1

Uh, what you see in Europe?

Speaker 1

What you?

Speaker 1

See in US.

Speaker 1

What you see in many parts of the developed world you will see here.

Speaker 1

Plugs of people 203 hundred people riding together.

Speaker 1

Pleasure, you know. They write for about 200 kilometres. Together. They enjoy breakfast, lunch. The primary thing is that because the infrastructure is there, they want to have the get together.

Speaker 1

They want to use the die for a scooter premium scooter as a as a device.

Speaker 1

There are lot of racing clubs in India, for example Apache Racing Club.

Speaker 1

Is one of the prominent clubs in India.

Speaker 1

These are all these are all in my opinion, the transformation journey we have seen as as as a country looking forward to.

Speaker 1

More modern, more stylish.

Speaker 1

More aspirational products now coming to TV is.

Speaker 1

I hope I have given you a broad.

Speaker 1

What is the logic? Why it will come to 10 to 12%?

Speaker 1

OK now, uh.

Speaker 1

One more, one more important thing I will tell you scooters in the urban.

Speaker 1

OK, currently the category share of scooters is about in the two Wheeler industry is about 30.

Speaker 1

To 33%.

Speaker 1

All of the personal view that it will go substantially.

Speaker 1

Because again, multiple use in the urban for Father can use mother can use daughters son anybody?

Speaker 1

Uh, given the traffic, no, it is variable.

Speaker 1

It is variable type of product.

Speaker 1

You don't have a year.

Speaker 1

There's no pain for your, you know hands, or the joints.

Speaker 1

Very convenient, OK, and typically for the Indian women for their attire of.

Speaker 1

Whatever they wear sarees or this one.

Speaker 1

A scooter is a far for comfortable platform.

Speaker 1

Yeah, so that is the reason it has come.

Speaker 1

To 30 to 33%.

Speaker 1

Now coming to TV. SI think we are.

Speaker 1

Very strong in premium.

Speaker 1

Apologize number one now in the as a brand in the market share in India. In scooters we are a strong #2.

Speaker 1

Because Honda is number.

Speaker 1

One, but as a portfolio we have starting from the old traditional scooty, scooty zest, then Jupiter, Repeater 110 or 125. Then the premium in top outstanding range.

Speaker 1

Of products OK.

Speaker 1

And uh, if you look at we have an excellent response from the market.

Speaker 1

OK, then coming to the computer, motorcycles and moped we have excellent products but that is the place which is affected by the rural.

Speaker 1

But now we are confident that slowly it will pick up then on the motorcycles after party. It is the 125CC rider.

Speaker 1

Very much.

Speaker 1

Those young people who cannot afford a patch.

Speaker 1

OK, they will say clean with the raid.

Speaker 1

It's a compromise decision between the father and the son.

Speaker 1

OK, but after some time he will jump into Apache.

Speaker 1

Patch is really aspirational.

Speaker 1

It is very.

Speaker 1

Young and model.

Speaker 1

The this is this is on the domestic market.

Speaker 1

If I look at the international market.

Speaker 1

The the the strength of team uses outstanding range.

Speaker 1

You know from Moffitt.

Speaker 1

To sprinters to motorcycles.

Speaker 1

Up to R. R3 temp right.

Speaker 1

Retain is A is a product.

Speaker 1

What we have a common platform with BMW.

Speaker 1

They have products out of that.

Speaker 1

We have products out of that.

Speaker 1

OK, and uh, it has got every element of the 1200 CC in bed.

Speaker 1

OK.

Speaker 1

Now coming to international market.

Speaker 1

Currently we are there, of course through BMW. We are there in every market. We have sold more than 100,000 bikes through BMW OK, but if I look at otherwise predominantly, our exports is more on on.

Speaker 1

Developing markets like Africa, Latin America, Asia, Asia.

Speaker 1

OK, so practically every market and all of you knows that we have a river.

Speaker 1

Manufacturing complete business in Indonesia because the products there are.

Speaker 3

Right?

Speaker 1

Send it.

Speaker 1

You look at the profile of the people.

Speaker 1

They're shorter, the thinner.

Speaker 1

You know more women use.

Speaker 1

So these products so that is why we have.

Speaker 1

Designed and developed.

Speaker 1

The code the give you a little bit of CGI, I think last five years.

Is a, uh?

Speaker 1

International market the seizure was about 8%. We have done 18 so.

Speaker 1

A domestic market. Same way that seizure of about 3% and we have done 8% so. So we have we have continued to outgrow. Examines the industry thanks to the kind of product range what we have.

Speaker 1

And we focus on customer satisfaction.

Speaker 1

Yeah, JD Power number one.

Speaker 1

In all types of quality also appealing quality.

Speaker 1

Quality is very, very important because that is the aspiration that is that is based on the features, the kind of technology, what you give.

Speaker 1

For example, a simple scooter has got connected features.

Speaker 1

OK.

Speaker 1

It has got complete connectivity with Bluetooth, Bluetooth.

Speaker 1

Now we.

Speaker 1

Have voice assist.

Speaker 1

The latest scooter, whatever happened in the market, is what?

Speaker 1

Voice the.

Speaker 1

The important thing is aspirationally.

Speaker 1

The proportion of people buying maybe initially low, but I have seen over a period of time 50% of the portfolio will be this kind of product because customers are very much interested.

Speaker 1

And the most important thing, even for African market, we design and develop for the local market.

Speaker 1

We don't make something you know.

Speaker 1

For example, India if I remember even parallels or choices are different.

Speaker 1

If you go to east it is all about red.

Speaker 1

To go to some part of Karola it is.

Speaker 1

All about black.

Speaker 1

OK, and the posture, the kind of features they like.

Speaker 1

They're completely different.

Speaker 1

So aftercare, for example, it is a taxi market.

Speaker 1

Predominantly we have an.

Speaker 1

Excellent series.

Speaker 1

To market by market we understand the customer.

Speaker 1

We spend a lot of time.

Speaker 1

Whatever we make, we want to be best in class quality, best in class, customer satisfaction and we continue to delight the customer through.

Speaker 1

The features and benefits working other important thing is on service because the first service.

Speaker 1

When somebody buys the bike, it comes after exactly.

Speaker 1

Two to three weeks.

Speaker 1

So we have very clearly very well defined service outlets with genuine spare parts, so the customer care post that is very critical.

Speaker 1

And as you know, JD Power again, we are number one for the last five years in customer service with service any competition.

Speaker 1

And so the.

Speaker 1

Priority strategy one is customers as well.

Speaker 1

#2

Speaker 1

With excellent product range and customer satisfaction.

Speaker 1

We want to go ahead of Windows.

Speaker 1

Why is the 2nd priority?

Speaker 1

Because you know, without toppling there is no line.

Speaker 1

OK, so and this is applicable not only for us for the distributors, dealers, suppliers.

Speaker 1

They want volume.

Speaker 1

Then their supply chain wants volume, so our objective #2 or priority #2 is always go ahead of the industry.

Speaker 1

And Objective 3.

Speaker 1

Of course, in the last couple of years we have started with both number one and two.

Speaker 1

I think that is the right time we have to improve the profit share in the industry.

Speaker 1

So you have seen this site.

Speaker 1

Many challenges, many challenges.

Speaker 1

I can, I can probably say that we are the only company who have done better and better on the media.

Speaker 1

OK, maybe they are higher in terms of the absolute value, but if you look at.

Speaker 1

Year after year we are doing better and better on the beta, primarily because of number one volume #2 premium accession number through international market number through #3 our presence in the three video segment #4 the cost reduction material cost reduction.

Speaker 1

A material cost reduction is part of many elements on commonality.

Speaker 1

Looking at the overall modularity of the of the of the design.

Speaker 1

Looking at the weight, looking at parts formalizations, whenever the volume is higher, you can also open second supplier.

Speaker 1

Because we don't normally we don't have multiple suppliers, but when the volume starts doing we are able to get second supplier.

Speaker 1

We were importing almost 2022% before COVID. Now we have brought it down to 7%.

Speaker 1

So there are many initiatives including.

Speaker 1

Looking at every aspect of value analysis and value engineering without reducing any customer satisfaction or affecting inequality.

Speaker 1

So this has helped in improving our.

Speaker 1

You know material fast and then in turn Grover.

Speaker 1

Profitability equally.

Speaker 1

I think, uh, marketing.

Speaker 1

Uh, we used to spend heavily.

Speaker 1

Now we have gone maximum through digital that is substantially cut down the marketing costs.

Speaker 1

Really, really does help.

Speaker 1

Uh, now?

Speaker 1

Coming to coming to the east side, uh.

Speaker 1

We actually started our journey about 10 years back.

Speaker 1

We knew that TV is going to be one of the important future mobility which is going to come and that is the genesis of IQ.

Speaker 1

OK, as I speak.

Speaker 1

We have more than 20,000 booking. Unfortunately the semiconductor industry.

Speaker 1

Has been a challenge, but they are also now understanding and we are supporting so you will see we moving to 10,000 very soon per month and then moving to 25,000 exit this year.

Speaker 1

The best thing is I cube has got a huge customer base and customer delight that is pulling in.

Speaker 1

The market.

Speaker 1

Hey, what is our?

Speaker 1

What is the?

Speaker 1

What is the?

Speaker 1

What is our product with service competition?

Speaker 1

If I look at it we said like you said you know customers doesn't know technology.

Speaker 1

They're agnostic.

Speaker 1

Yeah, what they want is convenience.

Speaker 1

If somebody uses the entire family in India, typically you go on the road.

Speaker 1

You will say that husband, wife, two children, plus lot of.

Speaker 1

Bags everything will be there on the bike.

Speaker 1

OK, is it safe?

Speaker 1

I don't know.

Speaker 1

But that is the way, because the.

Speaker 1

You should correlate.

Speaker 1

The first point, whatever I said.

Speaker 1

The the flexibility the public transport system not being there, so mobility.

Speaker 1

If somebody has to be mobile from A to B, there is only weighs 2 Wheeler.

Speaker 1

So I think that's the same thing, only thing is it's in if it is.

Speaker 1

Not, I see that's all.

Speaker 1

So that's why.

OK.

Speaker 1

I think I think I have given a broad coverage of.

Speaker 2

Where you can see questions.

Speaker 4

No, that was quite detailed.

Speaker 4

Thank you so much for that.

Sir, I mean.

Speaker 4

So just on the electric vehicle.

Speaker 4

I mean you started this journey 10 years back and so last year. I mean if I remember correctly, the number that you mentioned in the annual report is you sold 10,000 vehicles and you have.

Speaker 4

Some 20% market share in the electric vehicle segment right? And so this year you're talking about you. You said like you have 20,000 bookings and you're targeting.

Speaker 1

10,000.

Speaker 4

15 or 20,000.

Speaker 1

Per month we want to go down 10,000 maybe July August. We will see 10,000 and exit. We want to go to something.

Speaker 1

Like 25,000 per month.

Speaker 4

OK, it's it will be 25,000 OK. And uh, OK.

Speaker 4

And so that.

Speaker 4

Chip shortage will be gone by then.

Speaker 4

That's why you're confident you'll be able to get.

Speaker 1

Hip shouted also I want to give you a little brief.

Speaker 1

Unfortunately, you know the wave one and wave 2.

Speaker 1

Everybody stop, nobody knew what is happening.

Speaker 1

Including the chip companies also stopped.

Speaker 1

So that is 1 discounted second.

Speaker 1

If you look at it.

Speaker 1

Unfortunately for the semiconductor industry, 3 mishaps one when I sense in Japan had a fire accident.

Speaker 1

I think TJ had a plugged in USB, so three big companies had another stoppage of 45 days to 60 days.

Speaker 1

OK, these two number 3.

Speaker 1

During this period, the COVID period suddenly the consumer durables multiplier effect we saw.

Speaker 1

I know that we never used to use this kind of a meeting.

Speaker 1

Give me physical face to face suddenly teams who I don't know.

Speaker 1

I think everybody said work home OK there are a lot of new kind of way of work also came out so the semiconductor industry and other industries we are not able to even manage those logs on one side they had a stoppage.

Speaker 1

On one side, some companies are disaster.

Speaker 1

Then, when the and the regulations in India earlier BS 4 doesn't require so much of semiconductor.

Speaker 1

Fix Axiom is semiconductor.

Speaker 1

So all together suddenly we are able to see.

Speaker 1

Now EV.

Speaker 1

Everybody is focusing on EV has got.

Speaker 1

You know you have controllers, you have PC, you have motors, you have battery management system.

Speaker 1

So if you look at it everywhere there is a.

Speaker 1

There is the PCB.

Speaker 1

There is a chips, there're MOSFET so it it is.

Speaker 1

It is the kind of multiplayer.

Speaker 1

I don't think anybody has seen anybody has predicted.

Speaker 1

And suddenly the.

Speaker 1

Manufacturing lead times are now 52 weeks.

Speaker 1

So it's a.

Speaker 1

It's a combined effort and I'm very sure very sure that we will be able to come out of it.

Speaker 1

We will be able to come out of it because today reasonably people have got a predictability saying that these are the likely kind of volumes which we are likely to, and we have also given.

Speaker 1

52 weeks of volume projections and practically what is likely to have in the.

Speaker 1

Next two years 3.

Speaker 1

So I think there is a there is a.

Speaker 1

There is a change we are all expecting.

Speaker 4

And how is the electric vehicle penetration in scooters catching up?

Speaker 4

I mean what I hear is I mean a lot of different companies right?

Speaker 4

Yo Kenova Ola all that so your how is your product?

Speaker 4

Superior to the peers and like how do you expect to gain market share in the electric vehicle segment going forward?

Speaker 1

Customer satisfaction and quality.

Speaker 1

I think I think if you are in India.

Speaker 1

You can speak to some of our customers.

Speaker 1

Some of our dealers, some of the Ola for example.

Speaker 1

Now it is off the shelf.

Speaker 1

Available is what I'm hearing.

Speaker 4

Because it's fire X.

Speaker 3

OK.

Speaker 1

Right, I don't know.

Speaker 1

I don't know.

Speaker 1

I think I think people don't look at fire alone.

Speaker 1

People look at overall what is the value they are getting out of a product.

Speaker 1

And if you look at the Okinawa or ampere or some of other companies like Hero.

Speaker 1

Uh, I think I don't want to comment on the what is so specific about team uses.

Speaker 1

Whenever you are able to come here.

Speaker 1

I can show you we design.

Speaker 1

We design, develop, manufacture, for example, IQ.

Speaker 1

The entire controllers are others.

Speaker 1

The VMS system is ours.

Speaker 1

OK, the entire motor design is ours and we have partnered with suppliers to deliver that.

Speaker 1

Yeah, it's not just buying some sub assemblies from some part of the world and then assembling and give it.

OK.

Speaker 1

Hey, you may get some advantage by doing that, but you will not have.

Speaker 1

A sustained advantage.

Speaker 1

And you will see, for example, you would have.

Speaker 1

Seen in the last one month.

Speaker 1

Uh, Icubes. Icubes UH-2 versions of one base version and this version and you will.

Speaker 1

See now in St version.

Speaker 1

With Western glass range.

Speaker 1

OK and features.

Speaker 1

Features what people have not seen, possibly in the next six months. You will see a premium product from India from TV's.

Speaker 1

And as you know we are.

Speaker 1

Designing and developing for a global 2 Wheeler Cool vehicle for BMW and for us.

Speaker 1

We are designing completely designing and developing.

Speaker 1

So what is more critical according to me as a sustainable model, is that element of design and develop.

Speaker 1

Not just assembly and do something and give it to the people then.

Speaker 1

Because you see, I can't give you my product plan, but I.

Speaker 1

Can tell you.

Speaker 1

The strength of TV is I have a Jupiter base version as edx version or a Grande version at a classic version and then repeated 125 version in torque and even in interview have 80XP.

Speaker 1

I think I think you can go through the go through the leaflets.

Speaker 1

Each one is targeted on specific customer segments.

Speaker 1

OK, if you.

Speaker 1

Look at Apache One 6162 V 164 V. 4 V is different, 2B is different. It is 4 while technology.

Speaker 1

To two well technology.

Speaker 1

OK, then you get into 180 that you get into 200. Then you get into 310. So I think I think the core of the you understand the customer.

Speaker 1

You understand the space and then design and develop based on that.

Speaker 1

That is what is going to give.

Speaker 1

You the cutting edge.

Speaker 1

And of course never compromise quality.

Speaker 1

Never compromise point.

Speaker 1

Even if it takes a couple of months, nothing, nothing to worry.

Speaker 4

Understood and uh.

Speaker 4

A question on the margins the way you have actually gone from single digit margins through double digits, I mean back then, if I understand correctly, you were investing in product development, marketing and all that, and now it's you're probably reaping results.

Speaker 4

I mean on that because of premiumisation higher than.

Speaker 4

Market industry volumes and expose or three Wheelers and all that.

Speaker 4

All the reasons that you mentioned.

Speaker 4

So going forward I mean the margin trajectory will be double digits on a sustainable basis.

Speaker 4

Is that a fair assumption?

Speaker 1

It's only right, absolutely right.

Speaker 1

See the key investments.

Speaker 1

What you said is absolutely right.

Speaker 1

You have to invest behind product and technology.

Speaker 1

And that will give you better and better products and better and better variants because consumers today thanks to the smart phone.

Speaker 1

They want.

Speaker 1

New revisions new features in their prod.

Speaker 1

I'm of the view that maybe the premium kind of any vehicle they will have big screens with all the attachment.

Speaker 1

They will also use it for.

Speaker 4

Right, right, understood, understood, so just on the industry.

Speaker 4

I mean, going back to the top line, without which the snow line, right, right?

Speaker 4

So I mean on that, so the steady state category is like 10 to 12% for the industry. But in the last five years I mean starting with deamon, there's been multiple.

Speaker 4

Reasons that have plagued the industry and for which the cost has gone up by as much as 50% like.

Speaker 4

You mentioned and all.

Speaker 4

Now it's if I understand correctly, it's on the cusp of upcycled bottom of an upcycle.

Speaker 4

Things have gradually improved.

Speaker 4

Now we are looking at a kind of a favourable monsoon for this year.

Speaker 4

Chip shortage problems will subside.

Speaker 4

Rural demand will come back and you.

Speaker 4

Your plan is to grow higher than the industry, so maybe higher than 12% is what you are probably internally working with. So 15% on the top line.

About Bo

Speaker 1

I don't want to give you guidance because industry will do well this year.

Speaker 1

OK, what percentage we have very closely look at it because.

Speaker 1

The constraints when.

Speaker 1

When this will get completely eradicated on the semiconductor, we have to closely monitor.

Speaker 1

We have closely monitored.

Speaker 1

OK, and.

Speaker 1

Overall, I'm of the view that.

Speaker 1

We have a very, very good opportunity to grow with our new products, plus existing products.

Speaker 1

OK, you would have seen our Wan share.

Speaker 1

You have gained more than 3%.

Alright, cool.

Speaker 1

3% in three months, four months time when we had all the headwinds of semiconductor assume.

Speaker 1

One civic address starts coming in for Ryder and Jupiter 125, both in domestic market, is a huge opportunity to take the growth trajectory of this company to much, much higher level.

Speaker 4

Understood, understood and what percentage of your sales is currently exports and what was it like five years back 5-6 years back?

Speaker 1

Yeah, 30 percent 30% is.

Speaker 2

It's 30% off.

Speaker 1

I I forgot to mention one important thing I forgot to mention is that we have a very strong in House financing.

Speaker 1

Previous credit services.

Speaker 1

And second, can give you a quick look up.

Speaker 1

Take the book size and therefore.

Speaker 2

Very good.

Speaker 2

The book size now now close to 16,000 crores and the quality of the books is also very very sound.

Speaker 2

There are no NPCS in the last six months now continuously we don't make any provision.

Speaker 2

Elections are extremely robust, it's compatible or better than the prequel days today.

Speaker 2

And we are extremely prudent in the provisioning norms, whatever the RB is talking about, which is going to be prospective, we have already implemented that to that extent.

Speaker 4

Right?

Speaker 2

It's a very sound company.

Speaker 2

Well, when professionally.

Speaker 2

That we have been little cautious in the in the business growth because of the Covid and we were careful.

Speaker 2

Otherwise you would have even crossed eating those enforcements.

Speaker 4

Right, so for all the customers who buy vehicles from you, how many of them take finance from TV?

Speaker 2

As far as the two Wheeler industry is concerned, the penetration retail finance penetration is close to 5052% today.

Speaker 2

Now, over the 50 percent, 50% is serviced by TV's spirit and the rest or by other financial is 50%.

Speaker 4

So you are the largest player.

Speaker 2

Or no, not playing with the industry. I'm talking about TV's Motor Company.

Speaker 4

OK OK got it, got it.

Speaker 4

Right?

Speaker 2

We don't do.

Speaker 2

For others, even finance company is not announced or other two Wheelers.

Speaker 2

It's only for TV.

Speaker 2

The portfolio is got other financing products like for used trucks, tractors across cell.

Speaker 2

MMIFF unding all these things are there. It constitutes only 20% two Wheeler the rest. Eighty 2025%. This 75% comes from other products.

Speaker 3

Hi Mr.

Speaker 4

Just a question on your BMW collaboration, right 2013 or 14 is when you entered into a strategic collaboration and since then I think we have seen what are two or three product launches 300 or 350CC from them. So I just wanted to understand your thought process on how that collaboration is panning out and.

Speaker 4

What percentage of your revenues is coming through those BMW products as we speak?

Speaker 4

Any thoughts on that?

Speaker 1

I think I can.

Speaker 1

See, it's more than the more than the.

Speaker 1

A percentage it's the it's the brand rubber band brand rub off because we see if we look at the BMW themselves.

Speaker 1

Uhm, they will be selling about 100 and 100 and 3000 and 40,000 bytes of that. 25,000 bikes is from previous motor.

Speaker 1

They are all high price.

Speaker 1

And there.

Speaker 1

See up to 1800 CC and some of the prices are even higher than cars.

Speaker 1

So, So what is most important is the.

Speaker 1

The brand rub between these two companies.

Speaker 1

That is, what is we need to look at it and on the future relationship.

Speaker 1

I already told you that.

Speaker 1

Jointly we are designing and developing a.

Speaker 2

I I can't give.

Speaker 1

This fixed, but it's.

Speaker 1

It's going to be cool to Wheeler for the global market.

Speaker 1

And for BMW they will have their branding and design.

Speaker 1

We will have our branding, but the platform will be comma.

Speaker 4

OK so in India.

Speaker 4

Sorry India will be used as export hub then for that product whatever that you're going to come up with.

Speaker 1

Global market we are designing the product for them.

Speaker 1

Not only manufacturing, designing, developing, manufacturing and global supply for interior BMW same platform we will be using for our own 2 Wheeler globally.

Speaker 1

We do have.

Speaker 4

So question on your product mix. I mean earlier you mentioned that 33% of the industries are dominated by scooters, right?

Speaker 4

And that will only grow faster than the motorcycles itself because of the product versus versatility and all that.

Speaker 4

So are you gearing more of your new product launches or towards scooters?

Speaker 4

I mean electric.

Speaker 4

I mean, it's probably all screwed as I would say so the share of scooters will go up.

Speaker 4

Higher than the motorcycles, right?

Speaker 4

Going forward, so just.

Speaker 4

Trying to understand.

Speaker 4

Yeah, so just to complete my question, just two.

Speaker 4

I'm trying to understand the realizations between the margins between scooters and motorcycles, which is higher and can you give any ballpark estimate of how?

Speaker 1

When you.

Speaker 1

First of all, we don't give that product level guidance.

Speaker 1

Uh, I think what is most important is every product has to make healthy mom.

Honey I

Speaker 1

Every product, every product has to make healthy margin.

Speaker 1

Right, right, yeah? If you have to grow now, about 10% EBIT da. Hey, you can't, you can't discuss any brand.

Speaker 1

Well, that that that.

Speaker 1

What I have seen is for example, I can give you one simple example.

Speaker 1

When we started to Peter, we only had a base version.

Speaker 1

OK, say base forcing.

Speaker 1

The prices let us say ₹50,000.

Speaker 1

Then we came up with variants of ZED X classic.

Speaker 1

There are even higher than our competitors or competitor.

Speaker 1

The best computer is Honda.

Speaker 1

Yeah, but they have features.

Speaker 1

They have elements of certain connect with the customer which are far superior.

Speaker 1

If this base version is 50,000, these persons are 55,000 sixty thousand 65,000.

Speaker 3

That's it.

Speaker 1

And today I can give you more than 50% of the customers by the variance with far higher aspiration and price.

Speaker 4

Just a question.

Speaker 4

I mean goes back to something earlier that you meant.

Speaker 4

Then, before demoed 50% of your customers used to buy motorcycles with cash, right?

Speaker 2

Hash means they are all legal cash.

Speaker 2

See in the rural part of the country, so cash is something which is this legitimate cash.

Speaker 2

Not that yeah.

Speaker 4

Understood, understood, and how that has changed to what?

Speaker 2

No, no everything is demo because in the mall people are.

Speaker 4

Everything is OK, this is normal.

Speaker 2

Yeah there is no cash transactions.

Speaker 3

Right, right?

Speaker 2

You have to.

Speaker 2

Stop one of the questions.

Speaker 2

We have one meeting at 11 for both of us.

Speaker 4

Alright, I think I've covered most of the questions, so just I mean on the broader level, if I understand.

Speaker 4

I mean, you want to grow higher than the industry 10 to 12%. I mean that.

Speaker 4

Will be achieved this year.

Speaker 2

Enterprise and you are saying we are not commenting on the industry.

Speaker 2

Projected growth this year?

Speaker 2

What's going to happen for industry growth?

Speaker 2

There are.

Speaker 1

I said

Speaker 2

Lot of answers.

Speaker 1

10 to 12% is a CG or whatever we have seen that the industry that I am expecting to.

Speaker 4

Yeah, yeah.

Speaker 4

Yeah. So just to clarify, not for this year per say the next two to three years, I mean, the industry is probably looking at 10 to 12%.

Speaker 3

Right?

Speaker 4

Now that the things have stabilized and all the macro issues are gone and you'll be doing better than that, market share gains will continue on the margins.

Speaker 4

I mean you are at double digits with the operating leverage benefits.

Speaker 4

Everything kicking in because of the volumes are better than the industry and the premiumisation 3 Wheeler mix and all that that will only slightly improved going forward directionally will be on upward trajectory.

Speaker 4

I don't want a number per say on that.

Speaker 4

And so I mean, if I have to factor things in my mind, I mean like, I mean like OK.

Speaker 4

I mean greater than 12% of the top line and bottom line because of the margin improvement and all that, it should be around 20% or so cagar terms. I mean not for 523 going forward.

Speaker 2

Is that a crime?

Speaker 1

What the?

Speaker 1

No guidance, I think you are intelligent, you can.

Speaker 4

No, no, I.

Speaker 4

I understand Sir.

Speaker 4

I don't want any numbers.

Speaker 4

I mean I just because of my team will ask me like what?

Yeah, yeah.

Speaker 2

Now you can do the math we have.

Speaker 2

Otherwise what we have summarized it correctly.

Speaker 2

Our aim is to grow ahead in the industry.

Speaker 2

Our aim is we have demonstrated in the last four or five quarters about every bidder journey, and that will grow because they are all sustainable actions taken. It's not confined to a week for over 1/4.

Right?

Speaker 2

And therefore we feel that the directionally we will grow.

Speaker 2

That's all we can say.

Speaker 2

We can't comment anything.

Speaker 1

And.

Speaker 4

No, I yeah.

Speaker 4

I completely understand.

Speaker 1

And last point, I wanted to also highlight you whatever we are doing inside the company we are doing with the distributors.

Speaker 1

Also we have the leanest stocks with our distributors.

Speaker 1

They pay cash and carry and take the material both in domestic market.

Speaker 3

The patient anymore.

Speaker 2

There's no credit given to our dealers.

Speaker 1

It is not.

Speaker 1

No credit, there is no credit from the company, it is.

Speaker 2

You can't push whatever soul is retailed understood.

Speaker 3

Not recording.

Speaker 4

Just one more question, I'm sorry.

Speaker 1

These are unique models, not feeling the industry.

Speaker 4

Understood, understood so sorry if I can just squeeze in one more question recently.

Speaker 4

I mean, we notice that management change right?

Speaker 4

Veena Srinivasan knows samples.

Speaker 2

Management chain because of the regulatory recommendations.

Speaker 2

That the relative cannot be the.

Speaker 2

Chairman and the Managing director cannot be relative so that she is the Managing Director.

Speaker 2

Is the earlier chairman right?

Speaker 2

So the law recommended, though it is not mandatory today.

Speaker 2

Chairman and the managing directors should not be related.

Speaker 2

The executive chairman and Executive Managing director should not be related.

Speaker 2

That was a recommendation, not.

Speaker 2

It is not a mandatory one, so he has postponed it now.

Speaker 2

But we wanted to implement our chairman wanted to implement.

Speaker 2

Therefore Mr.

Speaker 2

Ralph is now the chairman is a non executive chairman of the company.

Speaker 2

And Mr.

Speaker 2

Miller is the chairman emeritus and managing director and seduction knows the Managing director so the law permits 2 managing directors.

Speaker 2

Therefore they continue to be the two.

Speaker 2

Magic doesn't change overall.

Speaker 4

And so he is still actively involved.

Speaker 2

Very active, this variant.

Speaker 4

In the translator.

Speaker 2

There is absolutely no change in the pool.

Speaker 1

There's no change, all right.

Speaker 4

I'll I'll sum it up then.

Speaker 4

I mean, thank you so much for your.

Speaker 4

Time I mean.

Speaker 4

Can I? I mean get.

Speaker 1

Anything, anything?

Speaker 4

Your heart or something?

Speaker 4

I mean, because the next time I don't want to use a broker to.

Speaker 4

Set up the.

Speaker 2

Meeting I can directly reach out to you.

Speaker 2

Yeah you have J Peters number my secretary who.

Speaker 2

Met you now.

Speaker 4

Oh, I can take down.

Speaker 4

OK, I'll take downs.

Yeah, yeah, I'm.

Speaker 2

Just we'll, I'll come out.

Speaker 2

I'll give my car also, but you can reach out to him, he will.

Speaker 2

Coordinate and organize.

Speaker 4

Understood, understood, so perfect.

Speaker 4

I will do that.

Speaker 1

At any time.

Speaker 4

I mean.

Speaker 1

Anytime next time when you are coming, make sure that you can spend a day in the.

Speaker 1

Factory you can CC is believed.

Speaker 4

Frankly, that's important.

Speaker 4

Oh sure, sure I'd.

Speaker 4

Love to I mean.

Speaker 4

10 years back was when I went to your wholesale plant.

Speaker 4

I mean now I.

Speaker 2

Think it is different right now it's a different, right?

Speaker 4

Alright, thank you so much for that invitation.

Speaker 4

Thank you, thank you thank you.

Speaker 4

Thank you for your time.

Speaker 4

Although we wish you all the very best.

Speaker 4

I mean, yeah.

Speaker 2

No, take your time no.

Speaker 1

Thank you.

Speaker 2

My cell number.

Speaker 2

Log will Join Now.

Speaker 2

We have a call.

Speaker 2

Oh sorry.

Speaker 2

Sometimes some days are extremely packed.

Speaker 2

Today is 1.

Speaker 2

I started at 8:45.

Speaker 4

I mean, when I came, I mean I used.

Speaker 4

Two brokers for a meeting.

Speaker 4

They weren't able to get a meeting.

Speaker 2

With you and the problem is you know.

Speaker 2

No, it's not their fault.

Speaker 2

Sometimes we have a very, very only.

Speaker 2

We both have a policy of meeting the investors.

Speaker 2

All the potential investors, so.

Speaker 2

Depends on oil availability also.

Speaker 3

I mean.