TVS Motor

Operator: Ladies and gentlemen, good day and welcome to the TVS Motor Company Limited Q4 FY26 results earnings conference call, hosted by 361 Capital Market Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star zero on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Annamalai Jayaraj from 361 Capital. Thank you, and over to you, sir.

Annamalai Jayaraj – 361 Capital: Thank you, Dev. Welcome to the TVS Motor Company Limited Q4 FY26 post-results conference call. From the TVS Motor management team, we have with us today Mr. K.N. Radhakrishnan, Director and Chief Executive Officer, and Mr. K. Gopala Desikan, Chief Financial Officer. I will now hand over the call to Mr. K.N. Radhakrishnan for the opening remarks, to be followed by a question and answer session. Over to you, sir.

Management: Good evening, everyone, and thanks for joining us today. We are delighted to share that during the financial year FY26, TVS Motor Company has surpassed all its previous highs and achieved an all-round record performance, including the highest-ever sales volume, revenue, and profit. Our sales volume grew from 4.7 million units to 5.9 million units, a 24% growth. Revenue grew from 35,251 crores to 47,270 crores, a 34% growth. Operating PBT grew from 3,563 crores to 4,975 crores, a 40% growth.

When we look at two-wheeler ICE growth, it grew by 19% over the previous year, while the industry growth during the same time was about 10%. In the two-wheeler international market, company sales grew by 31% over last year, against the industry growth of 23%. Total two-wheeler ICE sales grew by 22% compared to last year, against the industry growth of 12%. EV two-wheeler sales grew by 33%, reaching 3.7 lakh units compared to 2.8 lakh units last year. Total sales of three-wheelers grew by 63% to 220,000 units, up from 135,000 units during last year.

Regarding financial performance during the year, the company's EBITDA grew by 37%. Last year, it was 4,450 crores and this financial year it is 6,079 crores. The EBITDA margin improved by 60 basis points to 12.9% this year, compared to 12.3% last year. Operating PBT grew by 40%. During this year, the company generated an operating free cash flow of 3,805 crores as against 2,586 crores, a growth of 47%.

Looking at Q4 sales, the company achieved its highest-ever revenue of 12,808 crores, a growth of 36% over last year. Two-wheeler domestic ICE sales grew by 26% compared to Q4 of last year, against the industry growth of 24%. In the international market, company sales grew by 23%. Total two-wheeler ICE sales grew by 26% in Q4. EV two-wheeler sales grew by 51% to 115,000 units compared to 76,000 last year. Total sales of three-wheelers grew by 65% to 60,000 units compared to 37,000 units last year.

For financial performance in Q4, sales revenue was 12,808 crores and we achieved our highest EBITDA margin of 13.1%. During the quarter, the company's operating EBITDA was at 1,679 crores compared to 1,172 crores last year. The company registered a PBT of 1,358 crores during this quarter against 851 crores in Q4 last year.

Now, let me talk about TVS Credit performance. TVS Credit Services during FY26 has again achieved a record PBT of 1,248 crores. The book size is now 30,631 crores. In Q4, TVS Credit reported sustained growth in disbursements supported by improved consumption sentiment and traction across all retail financing segments. The two-wheeler category witnessed strong demand during this quarter, aided by steady recovery across urban and semi-urban markets. We have seen the increasing adoption of electric vehicles, supported by improved affordability and good finance penetration in the market. Consumer durable financing remains steady, driven by seasonal purchases and increased discretionary spending. The company continues to maintain its focus on risk-calibrated growth across all product categories.

TVS Credit has adopted a prudent and proactive approach to underwriting and risk through calibrated credit policy restrictions and sharper credit measures. Overall, the portfolio quality has improved through reduction in total credit cost and GNPA. In FY26, TVS Credit disbursed loans to over 53 lakh new customers. Overall, the customer base is almost 2.4 crores now. TVS Credit continues to focus on leveraging technology and innovation through digital transformation, deeper customer relationships, and maintaining strong risk management practices with an external credit rating of AA+. The book size has grown by 15% to 30,631 crores from 26,647 crores last year. PBT has grown by 22% to 1,248 crores from 1,027 crores last year. For this quarter, PBT grew by 15% to 348 crores from 302 crores during Q4 last year.

On TVS Motor's international business performance, we recorded our highest-ever international business sales of 15.8 lakh units in FY26, a growth of 33% year-on-year. This performance was driven by very good demand for all our products, the excellent range, and sustained strengthening of our distribution in these markets. Africa, Asia, and LATAM remain our key regions. Africa has done extremely well. We are now focusing on the LATAM region and have seen very encouraging traction in many markets, providing an opportunity for further leveraging those markets for TVS. Asia is also doing well; Sri Lanka is fully back on track, and Nepal is doing extremely well. In Bangladesh, we have implemented some changes, and exports will start soon. Q4 export performance reflects sustained momentum; we have improved our product mix, and the three-wheeler segment has started showing improvement. We are confident that we will maintain this growth momentum throughout this financial year.

Regarding new products, I am sure you have seen the Orbiter V1. It has performed well with a 1.8 kWh battery, targeting a different set of customers. It is now available in two ranges: V1 with 1.8 kWh and V2 with 3.1 kWh. We have also started Battery as a Service (BAS) across the EV portfolio, allowing customers to subscribe to battery usage instead of paying the full battery cost upfront. We have also launched the TVS King Cargo heavy-duty CNG. The cargo EV is receiving a very good response, and the recently launched CNG Cargo is also promising. Initial months have been very positive. Built on durability and ease of operation, the vehicle comes with robust leaf-spring suspension, an ergonomic cabin, a top speed of 62 kilometers per hour, and excellent ground clearance and turning radius.

I am confident that with the launches of Cargo EV and Cargo CNG, we will take a formidable position in the three-wheeler cargo category. Regarding Norton, we began investing in building new products in 2021. This year is very key. We unveiled our products at EICMA Milan and received excellent feedback. We will soon launch new Norton models, including the MANS, MANS R, Atlas, and Atlas BT. I will provide more details closer to the launch; these will be available in Europe and some will be available in India. FY27 is going to be a very important year, especially Q2.

In the domestic ICE business, looking at this quarter and going forward, we saw very good growth in Q4 last year. Urban demand was slightly better than rural, and FY26 saw strong GDP growth. Moving into this financial year, we expect the continuation of GST benefits. There are some headwinds in terms of the ongoing West Asia conflict and challenges regarding commodity prices.

Steel, aluminum, crude oil derivatives, and pressures on input costs are present, along with some supply chain disruptions. We have handled similar situations in the past. The company has taken initiatives to strengthen cost reduction, improve the product mix, and implement price increases where possible. This is a continuous journey of monitoring the economy and correcting contributions through various initiatives. Most importantly, demand for our models is extremely good in both domestic and international markets. As mentioned in the April press meet, we had challenges in the supply chain regarding labor availability, gas, and the on-time availability of some raw materials. Things are improving. This month is looking better, and we are confident that Q1 will post growth better than the industry.

In EV, the industry is growing well. In Q4 last year, we saw 38% growth. To provide some data, overall penetration in Q4 was almost 7.8% compared to 7.1%. For the full year, penetration moved from 6.2% to 6.6%. I am sure that EV two-wheeler penetration and momentum will continue this year. We recently launched the TVS iQube S with 4.7 kWh, which will be a favorite EV for families. We have more than 900,000 Indian customers. TVS iQube has played a key role in driving electric mobility adoption in India. The new TVS iQube S offers a range of 175 kilometers and new color graphics, enabling families to travel with greater ease.

On commercial mobility, we are consistently improving our EV three-wheelers. Our Vahan share is continuously increasing for three-wheeler EVs. We are confident that in this financial year, we will reach a prominent position across EV passenger and EV cargo, in addition to the newly launched cargo CNG. TVS Motor recently signed a joint development agreement with Hyundai Motor Company to commercialize an electric three-wheeler. This will redefine mobility. Hyundai Motor will lead the design and co-develop the electric three-wheeler by leveraging its R&D expertise, advanced mobility technologies, and human-centric design. TVS Motor will co-develop the product using our leading-edge electric platform, extensive three-wheeler engineering expertise, and deep local market understanding. With our legacy of trust and quality focus, we will create a product that is a grand success.

Regarding international business, based on what we saw in Q4, I am confident the momentum will continue this year. We are monitoring the effects of the war situation, but we see a very good pull for the TVS range in every international market. We are monitoring challenges like increased lead times for delivery due to logistics issues, but we will overcome this by working closely with our distributors.

To conclude, during Q4, our EBITDA reached 13.1%. We will continue to leverage scale benefits, better product mix, and sustained cost reduction efforts. While there are geopolitical challenges, our product portfolio gives us confidence. we will continue to invest in technology, R&D, innovation, and brand building. We will closely monitor every cost element to ensure we grow ahead of the industry. Thank you.

Operator: Thank you. We will now begin the question and answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh – Nomura: Good evening, sir. Thanks for the opportunity and congratulations on a strong performance. My first question is on the growth outlook for domestic and international for FY27. What kind of growth are you expecting, and could you provide color on motorcycles, ICE scooters, and EV scooters directionally?

Management: We are expecting a good single-digit growth for the industry this year. We are seeing growth momentum, although there are challenges with prices increasing for gas and inflation rising slightly. However, thanks to our product range, the demand situation is very robust. Overall, EV is doing extremely well with our two brands, iQube and Orbiter. For the FY27, the growth momentum will continue for scooters. EV and scooters will be very strong, as will the super-premium category.

The challenge will continue in the economy category due to higher inflation and fuel prices affecting those customers. Fortunately, our proportion in that category is small. Currently, the scooter category share including EV is almost 38%, and I expect that to exceed 40%, meaning scooters are likely to grow faster. We have strong brands like Jupiter, Ntorq 125, and the recently launched 160 which has seen an outstanding response. On the EV side, Orbiter and iQube variants continue to do well.

Over the last three years, we have performed extremely well in our premium segments; Apache and Ronin are doing very well. super-premium Ronin is also seeing great traction. Overall, we have a very good portfolio. EV, scooters, premium, and super-premium will lead the growth. For the economy segment, the new moped with alloy wheels is doing well because adding value still attracts customers even during demand challenges. In the international market, demand is extremely good. We expect the Q4 momentum to continue, provided we closely monitor geopolitical challenges and transit delays. Since demand is high, we are confident we will do better than the industry.

Kapil Singh – Nomura: On the commodity side, how much commodity inflation are you expecting in the current quarter, and how much of a price hike have you taken? Could you share those numbers for Q4 FY26 as well?

Management: Commodity inflation is somewhat unprecedented, around 3-5% of revenue. However, we were able to offset 35% of these price increases by raising our own prices. We are closely monitoring the situation in both domestic and international markets. The product mix and leveraging the top line will also help. It will be a combination of cost reduction, product mix, scale benefits, and appropriate price increases on right models. we have handled similar situations before, although it is higher this time.

Kapil Singh – Nomura: Just to clarify, the 3–5% is as a percentage of revenue?

Management: Yes, as a percentage of revenue.

Kapil Singh – Nomura: And how much was the PLI for the quarter?

Management: PLI was about 0.9%.

Kapil Singh – Nomura: Thank you.

Operator: Thank you. Next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah – Goldman Sachs: Good evening. My first question is around production capacity. In FY26, we manufactured and sold close to 5.9 million vehicles. What is the current range of our two-wheeler and three-wheeler production capacity, and how much do you plan to expand it over the next 12–24 months?

Management: We are looking at increasing capacity by another 1.5 million units to reach approximately 8.3 million because demand is high. This is the first time we are adding such significant capacity in a 12-month period. Work started in Q4 of the last financial year. This financial year is going to be very important as we review capacity quarter after quarter. We are also thinking about the future capacity needs for 2028 and 2029. We want to stay ahead of industry growth, so capacity will not be a constraint.

Chandramouli Muthiah – Goldman Sachs: That is helpful. Beyond gas and raw materials, are you facing challenges with rare earth metals or labor availability? How do you see that progressing over the next two months?

Management: Supply chain issues were unique in late March and April due to geopolitical unrest affecting energy costs and commodity availability. We maintain a maximum of 21–30 days of stock with our dealers in India on a cash-and-carry basis. Since our retail demand is very strong, it is critical that we ramp up production. Supply chain delays in energy and raw materials can affect production timing.

Across India, we are seeing labor challenges, especially with Tier-2 suppliers. Tier-1 is managing well, but many Tier-2 suppliers have serious problems, so we are supporting them. May is looking better than April, and we expect to be fully out of these supply chain disruptions by the end of this month. I am confident for Q1; we will grow ahead of the industry in both retail and despatches.

Chandramouli Muthiah – Goldman Sachs: Could you provide the current channel stock index for domestic and international business compared to normal levels, and also share the export and spares revenue for the quarter?

Management: Channel stock started improving this month as production improved in the first 10 days of May. By the end of this month or early June, we will be back to our 21–30 day range. Every product is under high pull. The revenue from international business for Q4 was almost 3,000 crores. Total spare parts revenue was 1,122 crores.

Chandramouli Muthiah – Goldman Sachs: Thank you.

Operator: Thank you. Next question is from the line of Gunjan Prithiani from Bank of America. Please go ahead.

Gunjan Prithiani – Bank of America: Thanks for taking my questions. Regarding the comment about being cautious for the next two quarters, is it more about cost headwinds, supply disruptions, or risks to demand from price increases?

Management: We are confident about demand. The uncertainty lies in the timely availability of raw materials. While costs are high, the one-week delay here and there is a worry. We are also monitoring Tier-2 supply chain disruptions, but we are nearly past that. We are also watching the geopolitical situation because it affects lead times for international distributors. If there is a 10-15% increase in transit time, we must plan accordingly so we don't lose opportunities. We should clear these hurdles in about two to three weeks.

Gunjan Prithiani – Bank of America: Could you share more detail on the 700 crore investments made this quarter? The losses from subsidiaries were higher as well. What is the guidance for FY27 investments and capex?

Management: Total investments for the year were about 2,400 crores, predominantly for Norton as products get ready for a Q2 launch. I have seen the products; they are extremely good and will redefine the super-premium class globally. About 200 crores went into TVS Credit Services. We also made a strategic investment of about 300 crores to focus on the international market. Next year, the investment will be much lower, likely 500-600 crores less than the 2,400 crores. We are confident these investments will start yielding results soon.

For TVS Motor, capex for product development and new products will be close to 2,000 crores. We are also adding 1.5 million units of capacity, which will require over 1,000 crores. Plus, we are expanding R&D and testing. Total capex for TVS Motor next year will likely be around 3,500 crores.

Gunjan Prithiani – Bank of America: What is the monthly EV capacity currently, and what are the plans for expansion? Do you plan to leverage these EV products in international markets as well?

Management: The ASEAN market response to iQube is very good, and we are starting with the Orbiter now. ASEAN has a good proportion of our EV business. Last year, our average was 30,000-32,000 units per month. We have moved to 40,000 and will soon reach 50,000 per month. We will stay ahead of the industry. We are constantly expanding our network and variants for iQube, Ronin, and our three-wheelers. Our strength is in R&D, software, and connected services. FY27 will be a key turnaround year for the next phase of growth for TVS and Norton.

Gunjan Prithiani – Bank of America: Thank you.

Operator: Thank you. Next question is from the line of Anand Purani from JP Morgan. Please go ahead.

Anand Purani – JP Morgan: Regarding exports, are you seeing any challenges related to inflation or fuel rationing in Africa, LatAm, or South Asia, similar to the headwinds in India?

Management: We have to monitor these things, but the strength of our HLX series (100, 125, 150) is very high. Demand is so high that we are currently unable to meet it fully. The main challenge is container availability and a 15% increase in lead times due to transit delays. This means an extra 8-10 days of delay that we must plan for to support our distributors. While inflation and energy prices are local challenges, we have monitored similar issues during the Ukraine-Russia conflict. The pull for TVS products will help us grow faster than the industry despite these hurdles.

Anand Purani - JP Morgan: On the domestic market, are there any motorcycle category launches planned for the next 12 months?

Management: TVS believes in investing in technology and models that delight the customer. We launched iQube, RTR, and the Ronin V1 versions last year along with various three-wheeler models. We will continue this momentum. Some products are getting ready at our Hosur plant and in Solihull. FY27 will be a very important year for both TVS and Norton.

Anand Purani - JP Morgan: Will you be manufacturing the initial Norton products in India?

Management: Yes. Solihull will manufacture one high-end model, while other models will be produced here in India. We will look at which models fit best in each location, but our Hosur plant will be involved in a big way.

Anand Purani - JP Morgan: Thank you.

Operator: Thank you. Next question is from the line of Amit Hiranandani from PhillipCapital India. Please go ahead.

Amit Hiranandani - PhillipCapital India: What has been the impact on rural sales due to El Nino, and how much of a price increase are you planning to take to sustain FY26 margin levels?

Management: Currently, reservoir water levels are 15% higher, which is good for the Kharif season. However, El Nino could moderate rainfall, so we must monitor that closely for Q3 and Q4. Regarding margins, I do not give specific guidance. Pricing is just one strategy. We look at the value we provide in terms of technology and total cost of ownership. Growing top line ahead of the industry provides many benefits.

Cost inflation of 3-5% is significant, so we will use variants and selective pricing as a continuous journey. Our EBITDA margin has moved from 6.5% to 13.1%. Our focus on product mix, three-wheelers, and international business will strengthen realization per vehicle, allowing us to amortize fixed costs over a larger base.

Amit Hiranandani - PhillipCapital India: Thank you.

Operator: Thank you. Next question is from the line of Raghunandan from Nuvama Research. Please go ahead.

Raghunandan - Nuvama Research: Do you expect export growth to be higher than domestic in FY27, and what is the pecking order for growth between LatAm, Africa, and Asia?

Management: I believe India has a huge opportunity given the infrastructure investments and the 1.4 billion population. GST reductions from 28% to 18% were a game-changer. Despite war challenges, the need for commuting among the self-employed remain strong. We expect strong single-digit growth for the industry, potentially better in the second half.

For international markets, we saw a bottom in 2022 and 2023. last year we saw good growth, and we expect that momentum to continue this year in LatAm, Africa, and Asia. Three-wheeler pull is also very good.

Raghunandan - Nuvama Research: The Ronin model has crossed 8,000 units monthly. How do you see the potential for this brand? Also, could you share the EV revenue for FY26?

Management: Ronin is a great brand. We started at 2,000 units, then 4,000, and now 8,000. We will shortly cross 10,000 units. It is seeing great pull in India and has started in Indonesia. It will be a long-standing brand for super-premium customers. total EV revenue for FY26 was about 5,000 crores.

Operator: Thank you. Next question is from the line of Ashish Jain from Macquarie India. Please go ahead.

Ashish Jain - Macquarie India: Regarding FY27 investments, what will the 1,800-1,900 crores be spent on if bulk of Norton investment is finished?

Management: Investments will be lower but not zero. Product development for Norton must continue to fill all segments. Total investment for next year will be roughly 70% of the current year. We also look at new strategic opportunities and will share details once we decide.

Ashish Jain - Macquarie India: Regarding exports, can we gain substantially in LatAm over the next few years?

Management: Africa took time to establish, and HLX is now the most preferred brand there. Asia is also very strong. We are gaining market share in LatAm year after year. It is a focus area, but it takes 2-3 years to establish distributors and brand visibility. We will strengthen Africa and the Middle East further while building a strong foundation in LatAm.

That journey will involve all products. Developing countries need a mix of premium and entry-level products for dealer profitability. Our Indonesia products are also doing well; we moved from 17,000 to over 20,000 units per month. We will leverage our existing portfolio and develop country-specific products where needed.

Operator: Next question is from the line of Yash Agarwal from Nirmal Bang Securities. Please go ahead.

Yash Agarwal - Nirmal Bang Securities: What is the strategic rationale behind the Hyundai-TVS partnership for electric three-wheelers, and what is the timeline for launch?

Management: Hyundai has excellent design capability and advanced mobility technology. TVS has a leading-edge electric platform and deep engineering expertise in the three-wheeler category. Both companies will leverage their strengths to redefine three-wheeler mobility. I will provide details on revenue contribution and timelines closer to the launch.

Yash Agarwal - Nirmal Bang Securities: How do you see international growth for EV scooters?

Management: It has started well in Asia. We are entering several markets where we already have a presence. Each country is unique, so we must understand specific customer needs. Our strength is investing in unique models; for example, the HLX we sell in Africa is not sold in India at all. We will continue this approach with electric vehicles.

Management: To conclude, FY26 was a great year. TVS Motor Company posted the highest-ever revenue of 47,270 crores and highest-ever net profit of 3,615 crores. With a strong portfolio including Apache, Jupiter, iQube, Ronin, Raider, and King Cargo, I am confident we will continue to grow ahead of the industry. We will leverage scale benefits and our premiumization journey while focusing on cost reduction and model mix. While we are cautiously optimistic, we will continue to improve our EBITDA margin and grow the top line. Thank you.

Operator: Thank you very much. On behalf of 361 Capital Market Private Limited, that concludes this conference. Thank you all for joining us today. You may now disconnect your lines.