

Operator: Ladies and gentlemen, good day and welcome to TVS Motor Company Limited Q3 FY26 post-results earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and zero on the touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalairaj. Thank you and over to you, sir.

Annamalairaj – BNK Securities: Thank you, Mark. Good afternoon to all the participants. On behalf of BNK Securities, welcome to the Q3 FY26 post-results conference call of TVS Motor Company Limited. I also take this opportunity to welcome the management team of TVS Motor Company Limited. 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 invite 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 thank you for joining us today. Wish you all a very Happy New Year and season's greetings to you and your family members. I am glad to share that this quarter we continued to achieve new highs, delivering our highest-ever quarterly sales, revenue, and profits. During this quarter, company sales volume grew by 27%, revenue grew by 37%, operating EBITDA grew by 61%, and operating PBT grew by 56%.

Let me get into more details about our performance in the third quarter of this financial year. Our overall operating revenue grew by 27%, and the revenue stands at 12,476 crores as against 9,097 crores during the third quarter of last year. Two-wheeler domestic ICE sales grew by 21% compared to Q3 of last year, against an industry growth of 16%. In the international market, company sales grew by 35% over last year, against an industry growth of 23%. Total two-wheeler ICE sales grew by 25% compared to Q3 of last year, against an industry growth of 17%. EV two-wheeler sales grew by 40% and crossed 1 lakh units this year, reaching 1,06,000 units against 76,000 units during Q3 of last year. Total sales of three-wheelers more than doubled to 60,000 units against 29,000 units during the third quarter of last year.

On profits, during this quarter, the company's operating EBITDA grew by 51% and is at 1,634 crores as against an EBITDA of 1,081 crores during Q3 of last year. The company's operating EBITDA margin improved by 120 basis points to 13.1% against 11.9% during Q3 of last year. As you know, during last year, the entire PLI benefits of FY25 were recognized in Q4. On a normalized basis, Q3 FY26 EBITDA would have shown 70 basis points year-on-year improvement and 40 basis points improvement on a sequential basis.

The company registered a PBT before exceptional items of 1,315 crores, recording a growth of 57% during this quarter against 837 crores. During this quarter, the company recognized 41 crores as an exceptional item towards past service costs arising from the new labor code. Profit after tax for the quarter is 940 crores against 618 crores last year.

Looking at the first nine months up to December, the company's operating revenue grew by 29% to 34,463 crores as against 26,701 crores during the same period last year. PBT before exceptional items for the first nine months is 3,594 crores against 2,517 crores last year, a growth of 43%. Profit

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after tax for the first nine months is 2,625 crores against 1,858 crores last year.

Regarding TVS Credit, it continues to witness excellent growth in disbursements. Following the GST reduction and implementation, there is positive sentiment and the market is doing well. Low inflation drove demand across product categories, leading to increased sales, deeper market penetration, and enhanced market share. We also saw a successful festive season with robust demand. During this period, the company maintained its focus on risk-calibrated growth across product categories, building a diverse book. TVS Credit continues to drive penetration of existing products, expand product offerings, and scale up distribution while enhancing customer experience and operational efficiency. In the first nine months, TVS Credit disbursed loans to over 41 lakh new customers, bringing its total customer base to nearly 2.3 crores. The book size is 29,678 crores, growing by 9% over last year's Q3. TVS Credit PBT for the quarter grew by 21% to 390 crores against 321 crores last year.

On Norton, we are building the lineup which was unveiled at EICMA 2025. I am sure many of you had an opportunity to see these products. The new Max and Atlas families position the TVS ecosystem firmly in the premium and high-emotion luxury motorcycle segment. It is going to create a special super-premium experience for affluent global customers who value craftsmanship and exclusive engineering pedigree. We are gearing up for the launch of Norton products in the Indian markets as well. We will have a differentiated strategy for Norton and will provide more details closer to the launch.

Regarding the Q4 outlook, we saw very good growth in Q3. Following the GST reduction, the industry grew by 20%. Rural grew by almost 19% and urban by about 21%. GDP growth for this financial year is estimated at about 7%. This robust performance reinforces the strengths of the domestic market and positions India as the world's fastest-growing major economy despite global challenges. Rainfall has been good and higher reservoir levels are expected to aid rabi sowing, which should support rural sentiment. Monetary policy measures by the RBI, including the total repo rate reduction of 125 basis points this year, are expected to improve liquidity. GST reduction will continue to support what we saw in Q3, and we expect Q4 to be extremely good for the industry.

On EV, for the first nine months, the industry grew by 14%. While we had challenges with magnet availability, it has now improved. Q3 EV industry volumes grew by 7.5% over last year. While EV penetration is slightly lower now, it will improve. We have seen very good growth for TVS in Q3, and we expect products like iQube and TVS X to do well. In commercial vehicle mobility, the TVS King EV and King Cargo High-Torque EV have received a very good response. The Vahan market share in the EV L5 category has gone up. Overall, EV penetration in two-wheelers and three-wheelers will increase; three-wheelers have already reached 30-32% this quarter.

The international market is doing well. Q3 exports from India grew by 23%, and demand in Africa continue to grow sequentially. LATAM has also grown over last year. Asia is performing well, with Sri Lanka coming back in a big way and Nepal continuing to do well. Europe continues to face challenges and is not growing yet; it may take a few more quarters to improve. TVS has grown ahead of the industry, and we are confident this momentum will continue in Q4.

With our strong portfolio, focus on quality, and new technology features, we are confident of outperforming the industry in both domestic and international markets. We have achieved the

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highest EBITDA for the company and will continue to leverage scale benefits, focus on premiumization, and sustain cost reduction efforts to grow EBITDA going forward. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

The first question is from the line of Chandra Mouli from Goldman Sachs. Please go ahead.

Chandra Mouli – Goldman Sachs: Hi, good afternoon and thanks for taking my questions. My first question is around the industry outlook. In the December quarter, we have seen 20% growth for the industry, and year-to-date momentum seems to be around mid-to-high teens. At the end of Q1, you indicated you expected 8-10% volume growth for the industry in the medium term. I want to understand if you see upside risk to that, perhaps into the 8-15% growth bracket.

Management: The GST benefits are playing out globally across product baskets. I am confident that in Q4, you will see growth upwards of 15%, which is among the best growth we have seen. We are very positive about Q4. For the year as a whole, because the first half was only at 2% growth, the full year will be around 9%. But the exit rate is excellent, which will help the two-wheeler industry.

Chandra Mouli – Goldman Sachs: That is helpful. Next, regarding commodity inflation, we have seen inflation in precious metals, copper, and aluminum, plus the reintroduction of safeguard duties on steel. In the past, TVS has passed on inflation with judicious price hikes. What offsets are available to manage this, and have you taken any price hikes in the December or March quarters?

Management: You are right; there are increases in aluminum, copper, zinc, platinum, palladium, and rhodium. As our top line grows, we gain scale benefits and drive our cost-reduction programs. We have been prudent with price increases; we recently took about a 0.2-0.3% increase. This is a constant journey to maintain growth momentum while mitigating costs through scale, product mix, and appropriate pricing. That will be the strategy this quarter as well.

Chandra Mouli – Goldman Sachs: Lastly, could you share the international business revenue and the revenue from spare parts?

Management: International business revenue for this quarter is about 2,909 crores, and spare parts revenue altogether is about 1,183 crores.

Operator: The next question is from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar – UBS Securities: Sir, could you help us understand the breakdown of industry growth across urban and rural? We are seeing players with a scooter-heavy portfolio doing better. Is the GST cut driving better traction for premium products and scooters in rural areas due to better disposable income?

Management: Scooters have done exceptionally well. If you add EV to the scooter category, it is close to a 40% share of the overall two-wheeler industry. This aligns with my previous view that

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scooters would grow faster than the industry. Premium and super-premium segments are also growing faster, as is the executive motorcycle category. The entry-level segment is not growing as much. Urban growth is about 21% and rural is 19%. Rural is doing well, though urban is slightly ahead.

Pramod Kumar – UBS Securities: We are seeing 160cc premium products getting accepted. In rural areas, is improved road infrastructure helping this shift toward scooters and premium bikes?

Management: Definitely. Infrastructure, especially road connectivity in rural markets, is helping scooters and the premium segment grow. Retail financing support is also a factor.

Pramod Kumar – UBS Securities: Regarding supplies, we heard about shortages during the festive season and recently on scooters and new launches. What are your plans for ramping up capacity to ensure there is no impact on retail market share?

Management: Our products are in high demand. At the end of December, we had maintenance shutdowns and some holidays in January, which created some temporary challenges. Increasing capacity takes about 2–3 months, and we have been proactive in investing there. We prefer dealers to keep only 21–30 days of stock to ensure products reach customers fresh. Regarding EVs, we had a setback due to magnet availability, but that is recovering. By next month, we should have full EV supplies in the market.

Pramod Kumar – UBS Securities: Any thoughts on the export market?

Management: Exports are doing well, and we expect Q4 to be strong. Africa has come back well after a bad year, and we are growing ahead of the industry there. We expect to continue outperforming in Q4 in many international markets.

Operator: The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh – Morgan Stanley: Regarding other expenses, the growth seems to be ahead of volumes. Are there any one-offs you would like to call out?

Management: Most other expenses are variable and related to volume growth, such as packing and freight. One area that was slightly higher was marketing expenses because of the number of products we launched; we had about 60 crores of additional expenses there. We also invested in R&D; for new technologies. We had about 15 crores for annual maintenance as planned. There is nothing unique other than launch-related marketing.

Binay Singh – Morgan Stanley: On commodity cycles, since this is coming after prices dropped due to the GST cut, do you think it is easier for OMs to pass on costs now?

Management: It is a balanced journey. Passing on the GST benefits helped industry growth. As a responsible company, we want to provide value, which is why we invest in variants, technology, and attractive features. We mitigate material costs through scale, premiumization, and improved product mix rather than just increasing prices.

Binay Singh – Morgan Stanley: Precious metals have seen the most inflation. How big is that impact as a percentage of sales?

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Management: With BS6, precious metal content is higher. The total impact of material cost increases might be 0.2–0.3%. That is not huge. We focus on top-line growth and mix to manage this, alongside small price increases.

Operator: The next question is from the line of Kanchan from Bank of America. Please go ahead.

Kanchan – Bank of America: Regarding domestic industry growth, do you expect this momentum to continue into FY27? Can we expect 8–10% growth next year, or is this just pent-up demand?

Management: To clarify, I did not say there was a shortage of TVS products, only that there were challenges in EV and X availability due to magnets, which is now easing. Regarding growth, Q4 should be strong. The first half of next year will also benefit from the base effect of the GST implementation. Long-term, with India's infrastructure, road connectivity, and mobility needs, I believe in an 8–9% CAGR. I am firm that two-wheeler growth will remain robust even into FY27.

Kanchan – Bank of America: On Norton, how should we think about the 900 crores invested in subsidiaries this quarter? What is the breakup, and when do we see losses coming off?

Management: Norton products will hit the market in 2026. This is a very important year for Norton. We must invest in technology and marketing to build the brand strongly. Regarding the 900 crores, the incremental delta this quarter included 200 crores for TVS Credit Services and about 60–70 crores for Norton's pre-marketing and the EICMA show. We also invested about 100 crores in the ION Mobility project. These are measured, strategic investments.

Operator: The next question is from the line of Sonal Gupta from MFBC Mutual Fund. Please go ahead.

Sonal Gupta – MFBC Mutual Fund: Could you tell us the impact of the new duties in Mexico? What is our exposure there?

Management: We are currently building our presence in Mexico. While there is an impact from the duty, we are looking at localization. Since our current volumes there are very low, it will not have a significant impact on TVS Motor.

Sonal Gupta – MFBC Mutual Fund: What were the EV three-wheeler volumes and overall EV revenues for the quarter? Also, has the PLI benefit increased?

Management: EV three-wheeler volumes were around 8,500 to 9,000 units this quarter. The PLI benefit has gone up slightly to about 0.7% of revenue.

Sonal Gupta – MFBC Mutual Fund: If 8–10% of revenue comes from EVs and the PLI benefit is roughly 13–14% of eligible value, shouldn't the benefit be higher? Is there scope to improve this?

Management: It is a combination of the company and some suppliers getting the benefit. Our 0.7% is what accrues directly to us. We have not missed any opportunities in securing PLI. As our volumes in iQube, TVS X, and TVS King grow, it will improve EV profitability. Most of our portfolio is now accruing PLI, except for a few models that fall outside the price eligibility criteria.

Operator: The next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

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Kumar Rakesh – BNP Paribas: You initially planned for 1,600 crores of capex and 2,000 crores of investments. Given the 2,000 crores invested in three quarters already, are you revising those targets?

Management: Capex will be around 1,700 crores as we increase capacity in certain areas. Total investments for the year will be around 2,900 crores. This includes funding for Norton, TVS Credit Services, the ION project, and the e-bike business.

Kumar Rakesh – BNP Paribas: Regarding the 0.2–0.3% commodity impact, is that the total basket or just precious metals?

Management: Total impact is maybe 0.4% at most. Some of this flowed through in Q3, and some will be in Q4. We manage this through scale and the 0.3% price increase we took early this quarter.

Operator: The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh – Nomura: Congratulations on the performance. What was the currency realization for the quarter?

Management: We follow a robust hedging policy for net exposure. For the current quarter, the realization is around 88.

Kapil Singh – Nomura: Regarding the TVS X (formerly Orbiter), how has the response been, and how does the customer profile differ from iQube? When do you turn EBITDA break-even in EV?

Management: The TVS X is for customers who want a premium, differentiated product. While we have not launched it pan-India yet, the demand is excellent in the current markets. We are ramping up to cross 10,000 units per month. Both iQube and X are growing. Contribution is positive and improving every quarter. I am confident that as volumes grow, the EV segment will become EBITDA positive and eventually contribute to PBT.

Kapil Singh – Nomura: What are your current capacity numbers for overall and EVs?

Management: For EVs, we are producing about 30,000 to 32,000 iQubes and nearly 10,000 of the X model monthly. We are reviewing capacity increases for next year and will share more details in the next call.

Operator: The next question is from Raghunandan from Sundaram Research. Please go ahead.

Raghunandan – Sundaram Research: Exports grew over 35%. Within that, what is the potential for the Jupiter model?

Management: Jupiter is a great brand. It has potential in Asia, the Middle East, Turkey, and parts of LATAM and ASEAN. Sri Lanka's recovery is a significant advantage as it is a large scooter market where Jupiter is a key player. We expect international scooter volumes to grow this year.

Raghunandan – Sundaram Research: On the listing of differential shares through SEBI, is there any update?

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Management: We are closely following up with SEBI. We cannot give a specific date as it is not entirely in our control.

Operator: The last question is from the line of Himanshu Singh from BNP Paribas. Please go ahead.

Himanshu Singh – BNP Paribas: What is the impact of commodity price increases on margins if we exclude price hikes?

Management: Commodity prices fluctuate every quarter. Our strategy is to delight the customer while using top-line growth to gain scale benefits. We work with suppliers on cost reduction and take small price increases where possible without hurting demand. The key is that we are improving our EBITDA journey quarter after quarter.

I want to thank everyone. You have seen our Q3 performance with accelerated growth and record revenue of 12,476 crores. With our strong portfolio including Apache, Ronin, Jupiter, iQube, X, Raider, and our commercial vehicles, we will grow ahead of the industry. We will continue to leverage scale, strengthen premiumization, and reduce material costs to further improve our margins. We are confident the company will continue to grow. Thank you everyone.

Operator: On behalf of BNK Securities India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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