TVS Motor Company

Operator: Ladies and gentlemen, good day, and welcome to TVS Motor Company Ltd. Q2 FY27 earnings conference call hosted by 361 Capital Market Research. As a reminder, all participants' 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 this conference call, please signal the operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from 361 Capital Market Research. Thank you, and over to you, sir.

Annamalai Jayaraj – 361 Capital Market Research: Thank you. Welcome to TVS Motor Company Ltd. Q2 FY27 post-results conference call. From TVS Motor management, we have with us today Mr. K. N. Radhakrishnan, Director and Chief Executive Officer, and Mr. K. Gopala Desikan, Chief Financial Officer. We will start the proceedings with the opening remarks by Mr. K. N. Radhakrishnan, to be followed by the question-and-answer session. Over to you, sir.

K. N. Radhakrishnan – Director and Chief Executive Officer: Good evening, everyone, and thanks for joining us today. First of all, festive season greetings to all of you, all your family members, and everyone present.

We are delighted to share that during this quarter, we achieved our highest-ever sales volume, revenue, and profit. The sales volume grew from 1.15 million units to 1.9 million units, representing 27% growth. Revenue grew from 11,905 crores to 17,103 crores, representing 44% growth. EBITDA grew from 1,507 crores to 2,219 crores, representing 47% growth. PBT grew from 1,224 crores to 1,865 crores, representing 52% growth. Profit after tax grew from 904 crores to 1,377 crores, again representing 52% growth. We sincerely thank all our customers for this significant achievement and milestone.

Before I get into the details of the second-quarter results, I would like to recall that during the last AGM, our Chairman addressed the shareholders, highlighting the sustained investments made by the company in building and nurturing consumer finance and related businesses, and that the company may, at an appropriate time, guided by long-term strategic considerations, evaluate alternatives, including a possible separation of the said business, to further strengthen and unlock shareholder value.

In this regard, I am delighted to share that the Board of Directors of TVS Motor today approved a scheme of demerger of the consumer finance and related business undertaking from TVS Motor. This will help unlock significant shareholder value through a focused platform for the group's consumer finance and related businesses. It also provides greater strategic autonomy, sharper capital allocation, and enhanced flexibility to pursue sectoral opportunities. The shareholders would participate in the future growth of both the mobility and financial services businesses. The demerged businesses will benefit from India's rapidly expanding financial services sector.

Now let me get into more details about the second quarter of this financial year.

In Q2, when we look at two-wheeler demand, domestic ICE grew by 16% compared to last year and against industry growth of 10%. International two-wheeler ICE sales grew by 33% over last year, as against industry growth of 27%. Total two-wheeler ICE sales grew by 20% compared to Q2 of last

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year. This was against industry growth of 14%. Domestic two-wheeler EV sales grew by 129% compared to Q2 of last year, against industry growth of 84%. Three-wheeler sales grew by 47% compared to Q2 of last year, against industry growth of 26%. So, across all sectors, TVS has done much better than the industry in Q2.

In terms of financial performance during the quarter, the company posted its highest EBITDA of 2,219 crores, with growth of 47% for the second quarter of FY27, as against EBITDA of 1,507 crores in the second quarter of FY26. The company's EBITDA margin improved by 30 basis points. It is now at 13% during the quarter ended September 2026, as against 12.7% in the quarter ended September 2025. The company posted its highest PBT of 1,865 crores, recording growth of 52% for the second quarter of FY27, as against 1,224 crores in the second quarter of FY26. During the current quarter, the company's profit after tax grew by 52% and stood at 1,377 crores, as against 904 crores during the second quarter of last year.

Now, coming to H1 financial performance:

For the first half of this year, operating revenue grew by 41% and was almost 30,999 crores, as against 21,986 crores during the first half of last year. Profit before tax for the first half of the year grew by 52% and stood at 3,454 crores, as against 2,274 crores during the first half of last year. Profit after tax grew by 52% and stood at 2,551 crores during the first half of the year, against 1,679 crores during the first half of last year.

On the international business, we recorded our highest-ever international business sales of 5.39 lakh units, reflecting 35% year-on-year growth. The performance was driven by sustained demand across key international markets and continued strengthening of our distribution. Africa continues to be a key driver, supported by other markets such as LATAM and Asia. Every market has done well, and we have grown ahead of the industry in every market. The international three-wheeler market has also done extremely well, and we are ramping up much faster in three-wheelers. You will see much higher growth from TVS in Q3 and Q4.

As you know, we remain focused on strengthening our international footprint through market expansion, product portfolio enhancement, and deeper channel engagement, while continuing to capitalize on growth opportunities across emerging export markets. We also started EV operations in the international market last year, and they are doing extremely well. In Q2, we sold about 6,930 units. Compared with last year, when it was just beginning, we sold about 1,726 units. I am very confident that electric two-wheelers will do extremely well in the international market. We are also now commencing electric three-wheelers in the international market.

Recently, during this quarter, we also launched TVS Ronin and TVS NTorq 125 in Nepal, and TVS King EV Max and TVS Ronin in Sri Lanka. We have also brought the next generation of Apache performance to Sri Lanka. The whole range of the Apache series was launched: RTR 160 4V, RTR 200 4V—both of these are TFT versions—and RTR 310 and RR 310 in Sri Lanka. Apache RR 310 and TVS iQube were launched in Kenya, TVS Raider was launched in Egypt, and the new Callisto 110 was launched in Jakarta, Indonesia.

There were quite a lot of introductions of new products into many international markets during Q2, and this momentum will continue. We expect the two-wheeler and three-wheeler momentum to

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continue, and we will also do better than the industry.

On commercial vehicles, domestic three-wheeler ICE plus EV grew by 65%. We sold about 26,300 units, as against 16,000 units in the second quarter of last year. The industry grew by 23%. We all know that EV is growing much faster in the domestic market, and we are also focusing on EV. Our EV numbers have also grown much faster than the industry. As you know, in Q2, EV penetration in three-wheelers reached almost 44%. In fact, in September, it was almost 48%. Compared with last year, it is moving much faster, reflecting faster adoption. The industry itself is moving much faster on the EV side.

The Dussehra festival season went well. Now we are all waiting for the Diwali season. We have introduced many variants and new product ranges in the domestic market. The TVS Jupiter dual-tone SXC range, including EV, has been well received. As you know, the overall category share has reached almost 41% in India, including EV. ICE has not actually declined; the category has grown in scooters, as we have said in the past.

We also achieved the 9 million milestone for TVS Jupiter and the 1 million milestone for TVS iQube during the quarter. This is very important in the journey. We thank every customer, reinforcing our focus on the scooter segment, especially for many Indian families and customers.

TVS Jupiter has always been delivering more and more to our customers. The “More Benefit” philosophy, which we started as a brand essence, continues. With the new dual-tone SXC range, I think this has been extremely well accepted in the market. For over 13 years, the brand has evolved and understood the changing needs of Indian consumers, and it has consistently raised the benchmark through meaningful innovation.

There are two new colors in this dual-tone SXC range: Starlight Blue and {? Solar Copper ?}. It is a real delight for the customers of the 110cc scooter.

Management: ...the segment. This is also a first in the segment. The new variant further enhances everyday comfort and convenience. It has a premium long seat and an integrated backrest for the rider and the pillion. It introduces the segment-first sequential turn signal lamps, offering a distinctive lighting signature while enhancing visibility. It also has a USB Type-C charging port for convenient charging on the move.

This scooter, as you know, has best-in-class 33 L under-seat storage and can accommodate two helmets, along with SmartXonnect. This is one of the best offerings in the market today. Together, these enhancements reaffirm TVS Jupiter's commitment to being the preferred choice of mobility for today's new-age and modern families.

We are extremely happy and thankful to every customer of iQube. We have crossed the 1 million mark, and there is a Million R Special Edition. As you remember, during this quarter, TVS iQube joined the legacy of its own Million R Edition as its community reached 1 million. It builds on customer confidence and the customer milestone, with an enhanced expression of India's favorite family EV, bringing together distinctive design, technology, and everyday convenience.

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As you know, TVS iQube has been instrumental in strengthening the company's leadership in the electric two-wheeler category, and we thank each and every customer for their trust and for helping us grow.

On Norton, as you know, Manx R and Atlas are already in the process of being launched in many markets in Europe. Media and customer feedback have been very encouraging. We are now setting up a very strong network in many countries in Europe. The India launch is expected in the forthcoming months. We have started many initiatives in India, and you will see them very shortly. Further new models are also being developed. Some of them will be announced at EICMA next week.

As you know, Norton has been investing in building the brand, conducting media launches in many countries in Europe, and setting up the network, and this is happening concurrently. More products, including variants of the Manx R and Atlas series, along with new products, are also under development.

Last year, if you remember, Norton's resurgence was showcased at EICMA, marking an important milestone in the brand's transformation, including its all-new brand identity. At that time, four new-generation products were unveiled: Manx R, Manx, Atlas, and Atlas GT. You will see all of these shortly.

As we progress, we now have dealers in the UK, Italy, and France, and you will see them in Germany, Spain, and India as well. I am very confident that Norton's commitment to modern, reductive design has been very well appreciated. This approach has also been recognized through the International Design Awards, with Manx R receiving accolades from IDEA and Red Dot.

Preparations for launches in new markets, including the US, are also underway. I will be able to share more details with you closer to the launch in these markets.

On TVS Credit, TVS Credit reported growth in disbursements, supported by sustained demand across key retail financing segments. The two-wheeler category witnessed healthy demand in semi-urban and rural markets and growing adoption of electric vehicles. The consumer durables and three-wheeler categories witnessed strong demand, supported by increased financing penetration and purchases during the festive season.

During this quarter, TVS Credit continued to enhance its capabilities in AI, data and analytics, and technology to drive better risk assessment, customer experience, and operational efficiency. The company further expanded its presence across semi-urban and rural India, increasing its network to over 65,000 touchpoints across the country.

During this quarter, TVS Credit disbursed loans to over 14 lakh new customers, bringing the total customer base to almost 2.7 crores. The book size of TVS Credit grew by 22% and stood at 33,818 crores, as against 27,807 crores last year. Profit before tax for the quarter grew by 19% and stood at 330 crores, as against 277 crores last year.

Now, coming to the industry outlook, post-GST we saw significant growth in the two-wheeler industry and in the three-wheeler industry, as well as good, healthy growth in ICE. We also saw

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accelerated EV adoption. Overall, the outlook is still positive.

There are some challenges because the base effect is going to play a role. At the end of September last year, we saw GST being corrected. However, we should all remember that from October-November, the industry numbers increased significantly. On top of this, we expect growth, and the growth should be in the good single digits. Based on overall activity and overall GDP growth, we expect the ICE segment in both two-wheelers and three-wheelers to grow in the single digits. EV will continue to maintain its momentum, and you will see very good growth. You saw significant growth in Q1, and the momentum will continue. However, we should also remember that the base is increasing even in EV.

As far as TVS is concerned, we have an excellent brand, and we are very confident that this is going to help us. [pause] I want to highlight EV penetration in two-wheelers. In September, it reached 11.6%. This is for total two-wheelers. If you look only at scooters, it is almost 22%. Two-wheelers are moving very well. Three-wheeler EV penetration is also almost 47%. These are the two segments moving much faster on EV, and this momentum is likely to continue in Q3 as well.

As I said, we will continue to grow much ahead of the market domestically, and the industry in international markets, both for two-wheelers and three-wheelers, is also likely to hold on and grow. With the kind of portfolio we have and the capacity we are enhancing, we are very confident that we will be ahead of the industry in the forthcoming quarter and in Q4.

Before I conclude, I would once again like to explain the demerger in detail. The consumer finance-related business undertaking of TVS Motor will be demerged into a separate holding company. The shareholders of TVS Motor will receive an equal number of shares in the resulting company as they hold in TVS Motor, enabling them to participate in the future growth of both the mobility business and the consumer finance business. The scheme is subject to the requisite statutory, regulatory, shareholder, and other approvals, as applicable. Thank you. Thank you once again for your confidence in TVS Motor. Excuse me.

Operator: Yes, sir. Shall we begin with the question-and-answer session?

Management: Yes, please.

Operator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pramod Kumar from UBS Securities. Please go ahead. Mr. Kumar, you can go ahead. Since there is no response, we will move to the next participant. The next question is from the line of Nitin from Axis Mutual Fund. Please go ahead.

Nitin – Axis Mutual Fund: Hi, thank you, and best wishes for the results. My first question is on the EV side. We have been building this conversation for many calls, and we have been clearly saying that demand is very robust. What we understand is that the supply constraint is still there, so demand is actually much higher than the numbers you are reporting. How are you thinking about building capacity on the EV side going forward? That is my first question.

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Second, on Ronin specifically, I wanted your comment because that product really created a new benchmark, which you articulated in a few calls. From here, how is the customer response? Can this product double in volume? Do you see that happening? These are the two questions. Thank you very much.

Management: On EV capacity, I think we are definitely expecting healthy growth in the industry in Q1. The industry grew by almost 75% in the first half. Fortunately, we had capacity planned. We are now also enhancing capacity. We are currently operating at around 60,000 to 65,000, and we are also exporting. This includes both domestic and exports, covering the Indian market and exports.

Fortunately, we have already planned for the next level of capacity expansion to about 80,000, and many of the activities are already underway toward that. Customers are extremely happy with iQube and Jupiter. This is something we are closely watching, and we are also working closely with our supply chain. Fortunately, we have a very good network. We have also started in the rural market, and it is good to see that the rural market is also growing very fast in EVs. In India, if I look at the data, H1 rural EV growth in two-wheelers is slightly higher than urban growth. It is amazing.

The second question was about Ronin. Ronin was the first time the company came up with this classic brand, and it was unique. We are extremely happy that customer demand is very strong and that customers like it. They enjoy the bike, and we have also introduced certain new variants of the product. It will grow to the next level. Last time I told you that we are now confident it will go beyond 15,000. We are getting ready for that.

We will constantly review this because any capacity expansion requires approximately 3 months, not more than that. These are products for which we always look at what is happening and which markets are doing well. We will systematically review the situation and enhance capacity. In any case, we have undertaken a significant capacity expansion investment this year as planned, and that is underway.

Nitin – Axis Mutual Fund: Understood. Thank you very much, and all the best to you and the team.

Management: Thank you.

Operator: Thank you. The next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani – JP Morgan: Thank you for the opportunity. Since this is the first conference call after the announcement that happened during the quarter, I also wanted to wish you all the best in your future roles within the company as well as outside the company.

My first question was on the demerger that you announced. For my understanding, TVS Credit is currently a separate entity and a subsidiary, and the consumer finance businesses are being demerged into a separate holding company. Will this business then become part of TVS Credit at some point? I am just trying to understand that.

Management: Let me try to explain the scheme.

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Management: The whole objective is that, as you would have seen in the balance sheet of TVS Motor, we have been reporting this consumer-related finance business as a separate undertaking, the finance undertaking. You would have seen that. In the AGM speech, the Chairman referred to a merger being announced for consolidating the NBFCs, and he indicated a demerger in the AGM speech. This action is only a continuation of what was said in the AGM speech.

Second, what is being demerged is this consumer finance-related undertaking, which includes the investment in TVS Credit Services and a few other non-core investments of TVS Motor. It is being demerged into a separate HoldCo, and that separate company will mirror the shareholding of TVS Motor Company. Both companies will be listed on the same stock exchanges where TVS Motor is currently listed.

This is the whole purpose of the scheme. Your question about whether this business will be transferred to TVS Credit Services is not contemplated in this scheme. The scheme envisages the transfer of the business to a new company, where shares will be allotted to the existing shareholders, mirroring their existing shareholding.

Amyn Pirani – JP Morgan: Okay. After all this process is completed, TVS Motor will not own any stake in these entities, but if we are shareholders of TVS Motor, we will receive that proportionate share?

Management: Absolutely.

Amyn Pirani – JP Morgan: Absolutely. Okay, okay, and...

KNR: Thank you for your good wishes. It has been a great journey, and I will continue to be associated with TVS. There is a strong operating team here, and one of its key roles is to ensure succession planning and a smooth transition. All of you can be rest assured that the future leadership will do better than what the current leadership is doing. [laughs]

Amyn Pirani – JP Morgan: That is all the best to you. Going back to consumer financing, as of now, have you given any timeline for when the listing will happen?

Management: Which one? This demerged entity? No, I think the process will take time. Following shareholder approval, there is also the NCLT process, so it will take another 8 to 10 months. The process involves obtaining all the approvals, including regulatory approvals, shareholder approval, and NCLT approval. That is how it is.

Amyn Pirani – JP Morgan: Sure. Thanks for that. I have one question on the revenue beat and the strong ASP. Can you also highlight how much PLI you are receiving currently? Has there been an increase in the level or percentage of the PLI benefit because of the growth in EVs? If you can share that.

KNR: I will get back to you. I think it is about 1.3-1.4% of turnover, and we have also crossed 10,000 cumulatively, so we are also receiving the 2% booster.

Amyn Pirani – JP Morgan: Booster, I think.

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KNR: Booster, yes, booster. [laughs] Correct, correct. I think they have certain slabs, with certain numbers every quarter. We are on course because our EV proportion is also growing. Numbers are growing in two-wheelers, and numbers are growing in three-wheelers. It is a good journey. Thanks to the government.

Amyn Pirani – JP Morgan: Thank you for this. I will come back in the queue.

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

Kapil Singh – Nomura: Good evening, and best wishes for the future. My first question was also on EVs. I wanted to understand how we are tracking on EV profitability for both two-wheelers and three-wheelers, excluding PLI. Any direction here would be helpful.

KNR: It is improving quarter after quarter. We focus on the margin, and the margin is improving. The overall strategy is the same. We are looking at increasing scale, and we are also introducing certain variants. We are using the same strategy here as I explained for ICE. We are moving in the right direction because, ultimately, along with improving the top line, we also want to improve the bottom line. Very focused work is going on in EV, and we are happy with the journey so far.

Kapil Singh – Nomura: Can you give us some indication of where we are currently in terms of gross profit profitability or EBITDA profitability for both?

KNR: I told you that you are able to see the overall company numbers. We first look at the overall company: are we growing the top line, and are we growing EBITDA and the bottom line? We believe in investing in the right technology, which we are doing. We came up with iQube, then we introduced variants in iQube, and then we came up with Orbiter. We are also planning new products.

On the other side, in three-wheelers, we introduced the cargo vehicle. This is a journey, and we continue to invest. We want to delight customers in both domestic and international markets. This journey will continue, and overall we want to achieve healthy portfolio growth in terms of contribution and gross margin. Along with that, we also want to grow EBITDA and PBT.

Kapil Singh – Nomura: I have one question on margins as well. What pricing have we taken during this quarter so far, in the October to December quarter, and what are you seeing in terms of the cost outlook?

KNR: In October to December, we also took some small price increases at the beginning. We are monitoring the situation very closely. Some increases are also expected this quarter, but they may not be significant.

If you look at Q1 to Q2, you would have seen that there was only a small increase in material cost, while we also took price increases. For example, from Q1 to Q2, the material cost increase was almost 1.9%, and we increased selling prices by 1.6%. In the early part of Q3, we also implemented small increases, but we will review the situation very closely this month. We will review it after Diwali.

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This is a journey across domestic and international markets and across two-wheelers and three-wheelers, and we will monitor it very closely. As I said last time, the material cost increases this time are unprecedented, but we also have to consider the customer's ability to absorb them. We are balancing both sides, and we also have a strong focus on material cost reduction and product mix.

Wherever we are able to price appropriately, we introduce higher prices, and for certain variants we are able to achieve better prices. It is a combination of top-line growth, mix, selling price increases, and material cost reduction. We always look at the portfolio as a combination of these factors.

Kapil Singh – Nomura: Thank you so much. Best wishes.

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

Chandramouli – Goldman Sachs: Good evening, and thank you for taking my question. Firstly, congratulations to you, sir, on your phenomenal journey managing TVS Motor over the past couple of decades.

My first question is about the commentary on industry growth. You mentioned good single-digit growth at the start of the call for the second half. Do you think this will be low single-digit or high single-digit growth, given the wide range?

KNR: The most important factor in anybody's journey in any company is our customers. I want to repeatedly thank all my customers and all TVS Motor customers. They have brought us to where we are. Again, I want to thank the customers.

Coming to industry growth, in a couple of weeks we will have a better view because we have seen the Navratri season. The most important event now is the festival of wealth on {? November 6 ?}, which we are all waiting for. I am eagerly looking forward to that.

My view is that, while we saw almost 15% growth in the first half, Q1 saw total growth of almost 15.8%, and I am referring only to two-wheeler ICE; I am not including EV here. We saw 10% growth in the first quarter, but we saw almost double that in the second quarter. Even the season on a higher base has been good, according to me. That is the kind of momentum we can expect in Q3.

However, we will have to wait. If you ask me, I would wait for a couple of weeks to see how things develop. Customer demand is clearly there, but I also see pressure in the market because the industry saw huge growth in November and December last year. Therefore, the base effect will be present. That is why I said single-digit growth.

I am optimistic, but we have to be cautious. Expecting the same 15.8% growth that we saw in H1 requires some caution. That is why I said good single-digit growth can be expected in Q3. At the end of Q3, we can assess Q4 and how it is going to develop. Last year's Q4 was also extremely good for ICE. That is how I would summarize it.

Chandramouli – Goldman Sachs: With your commentary that TVS should be able to outgrow the industry, do you mean industry growth as well?

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KNR: Surely. I am very confident about that because we keep the right stock in the market. Everything is cash and carry. Even now, I do not think we have more than a maximum of 30 days of stock. Many dealers have less than 21 days of stock.

Thanks to our customers, we have many pull models in the market. That is definitely going to help TVS in November and December, and we will continue our momentum—not only in November and December, but also in the last quarter and thereafter.

We strongly believe in keeping the right stock and maintaining the 21-to-30-day stock level with dealers. We use the same principle internationally. We want to focus on the pull models. As I said, we are also enhancing capacity, and we are very mindful of the health of the total supply chain.

I am very confident that our products will do very well next year as well, in the next financial year.

Chandramouli – Goldman Sachs: That is helpful. My second question is about Orbiter. You are now receiving the PLI scheme incentive on Orbiter. When we have seen higher oil prices over the past 6 months, there has been a significant increase in electric two-wheeler penetration. Orbiter appears to account for approximately 20% of your domestic electric two-wheeler sales, less than a year since its launch.

Over the next 1 or 2 years, where do you see urban electric scooter penetration currently, and where can it move in your view? What role do you think Orbiter has to play? What mix do you think Orbiter can reach within your electric two-wheeler portfolio from the current 20%?

KNR: To be very honest, we gave higher priority to iQube initially to take it to the next level. We are now focusing on supporting the heavy market with Orbiter. Orbiter availability has increased, and we have also started exporting Orbiter.

Orbiter is unique in its design and customer segment. iQube is a typical family scooter, whereas Orbiter is somewhat different, and you can see the characteristics of Orbiter. I am very confident that Orbiter will also grow. You will see more and more Orbiters in the market.

Fortunately, we are also enhancing capacity in Q4, and that is going to help. When you talk about the next 3 years, I believe we have to look at scooters together, including ICE and EV.

At its peak, the category share of scooters has reached 41%. If you recall my discussions in the past quarters, there was a concern, an anxiety, or a risk that ICE scooters would decline as EV scooters increased. However, what has happened is that ICE has held its position. ICE has not lost market share. I think ICE is at around 30-33%, which is healthy. On top of that, you are seeing 9-10% in EV.

What has happened is that scooters as a category will grow further. I would not be surprised if next year you see scooters at 45%, and they could even reach 50% in a couple of years. This is because customers love scooters. They have their own convenience and benefits, and we have seen that they are affecting other modes of commuting. Fortunately, TVS has the right products in both ICE—Jupiter and Ntorq on one side—and, on the other side, Orbiter and iQube. That is how I would answer your question.

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Amyn Pirani – JP Morgan: Understood. Lastly, I will ask a question on exports and spare-parts revenue, if you could share the figures for the quarter.

Management: Just give me a minute. You want export revenue and spare-parts revenue, correct?

Amyn Pirani – JP Morgan: That is right.

Management: [pause] Parts revenue is about 1,314 crores, and export revenue is about 4,000, 4,300 and 378 crores—4,378 crores.

Amyn Pirani – JP Morgan: Understood. Thank you very much, and all the best.

Management: Thank you. Thank you. Thank you.

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

Pramod Kumar – UBS Securities: Thank you for the opportunity, and best wishes for your future journey. My first question is on the margin front. Although your margins were stronger than forecast, input costs increased by approximately 20% quarter-on-quarter, and employee costs increased by approximately 30% year-on-year. Is this normal? With this kind of inflationary impact, your underlying margins really stand out. Can you help us understand whether something is being bunched up or whether there is a timing impact, or whether this is the new run rate we should expect on the cost side going forward?

In that context, given the commodity headwinds, how confident are you about continuing the four-year trend of expanding margins sequentially and on a year-on-year basis? Please help us understand the cost elements.

Management: Before coming to cost, I first want to say, as I answered earlier, that demand for TVS products in the market remains extremely good and positive. Even now, we are operating with between 21 and 30 days of stock for most models in the market.

We have to consistently deliver what the market wants, and we are also investing in capacity. This is applicable across domestic and international markets, as well as three-wheeler ICE and three-wheeler EV. I am very confident that we will continue to maintain revenue growth.

Again, this is because of the customer. The moment we are able to grow revenue and total volume ahead of the industry, that gives us a lot of flexibility in terms of looking at variants and product mix, and in determining what can be done better.

Please remember that, based on what we have seen in material costs in Q1 and Q2 this year, I do not think we will see the same kind of increases in Q3 and Q4. We have always seen this cycle. When costs go up, they increase for perhaps 2 or 3 quarters, after which they soften somewhat or remain stable.

Cost increases occur on the first day of every month. Price increases and cost reductions do not happen at the same time. We have to give the process some time. We therefore have to closely examine and evaluate how customers are responding and how demand is developing in the market.

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We always look at top-line growth and customer satisfaction as the most important factors leading to these changes. I believe that the cost increases in Q3 and Q4 will not be of the same magnitude as those seen in Q1 and Q2. Further increases are unlikely, although there may be some small increases. By Q4, I am hopeful that things should stabilize, or we may even see some small softening.

This is regarding cost increases. Coming to the employee cost and marketing cost that you highlighted, please understand that we are looking at a long-term journey.

For example, with Ronin, we started with 1,000 units and 2,000 units. Now I am confident that we will reach 15,000 units. We are not increasing our marketing cost disproportionately, but we need to invest in the brand. When you invest in the brand, you are likely to get better and better results in future quarters.

Whatever revenue I am receiving today is because of the good things we did a couple of years ago or last year. This journey will continue.

On employees, please understand that we have added significant capability in software, electronics, digital, and analytics. We have established these capabilities because, when we look at the future, it will consist of digitally connected vehicles. This will not be limited to EV; you will see it in ICE, three-wheelers, and everywhere.

I am very confident that this growth momentum and these capabilities are key inputs for future growth. While we look at the quarter, we should also look at the next several years of the company and the success of the TVS brand, not only in the domestic and international markets, but potentially in every market in the world.

Pramod Kumar – UBS Securities: On the margin point?

Management: Margins will continue to grow. When the top line is growing, I am very confident that this will also flow through to the EBITDA journey and the PBT journey. I do not want to repeat myself. Look at the absolute numbers, look at how they are moving, and look at the percentages. Everything is moving in the right direction.

Pramod Kumar – UBS Securities: I understand. This long-term thinking is what brought the company here, thanks to the vision of the promoter and you. Congratulations on the stellar journey you have had.

My second question is on capacity, followed by one clarification question for Mr. Desikan on the finance-entity demerger. On capacity, can you help us understand the next phase of capacity expansion? We understand from market feedback, and you also said, that inventories are much lower than where they should ideally be. Where are we today in terms of monthly run rate, and where will the numbers be by year-end? What is the plan for next year?

I also notice that you have not had a very strong launch lineup this year because you have been busy meeting demand. With launches coming, what kind of capacity preparations are we making for next year?

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Management: This work will happen now. As I told you, we will cross more than 8 million units of two-wheeler capacity. In three-wheelers, we will soon reach approximately {? 0.4 ?} million units. These are the areas we discussed, and we also said that we would invest behind them.

We definitely have to look at capacity for next year because market pull is quite strong. That work will happen now because, many times, some capacity requirements involve longer-range planning. That work is underway. It is a constant journey, and that is how I look at it.

Pramod Kumar - UBS Securities: On the demerger, I have some doubts, and clients are also messaging about them. Will the two entities be TVS Credit and TVS Consumer Finance? Is that the correct understanding? What will be the holding of TVS Motor Ltd., the company, in these two entities after the proposed demerger?

Management {? Desikan ?}: I again want to reiterate and explain the scheme. The scheme envisages two listed entities: one is TVS Motor, and the other is this consumer finance-related entity. These two entities will be listed, and the existing shareholders of TVS Motor will have the same mirror-image shareholding in both entities. That is the first part.

The consumer-related assets that are going to be demerged include the investment in TVS Credit Services. Therefore, the TVS Credit Services investment will move to this consumer finance-related company. TVS Motor will not have any shares in the consumer finance-related company because it will be directly held by the shareholders, mirroring the shareholding pattern of TVS Motor.

Pramod Kumar - UBS Securities: So neither the company nor the promoters will have any direct holding there, and only the shareholders will hold the shares? You said that the promoters will have a stake because they are also shareholders in TVS Motor.

Management {? Desikan ?}: It will be mirror imaging. TVS Motor's existing shareholders will become shareholders of this new entity. That includes the promoters and the public shareholders.

Pramod Kumar - UBS Securities: What about the last valuation at which the transaction for TVS Credit was completed? I understand there are other businesses as well, but I want to get a reference for what the starting valuation there could be. Can you help us understand that?

Management {? Desikan ?}: There is no valuation here. In a demerger, all shareholders will receive the same number of shares as they hold today. It is not a merger.

Pramod Kumar - UBS Securities: I understand that. But there is an underlying value. Or, to put it another way, what is the current updated book value of TVS Credit, and with the proposed equity infusion, what is the expected book value this entity will have by the end of this year?

Management {? Desikan ?}: The appointed date is going to be July, and on that date, the value will be based on the assets at that time. Otherwise, regarding the current net worth of TVS Credit Services, I can tell you. One second.

Pramod Kumar - UBS Securities: Yes.

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Management {? Desikan ?}: Regarding TVS Credit Services, the book size is, in any case, 33,818 crores, and the net worth is... One second. One second.

Pramod Kumar – UBS Securities: And do you also have the return ratios available?

Management: I cannot go into those details now. However, one thing I can tell you is that TVS Credit Services has been managed very well and has been growing year after year. It has also been generating very good profits.

Management {? Desikan ?}: The net worth is 6,500 crores.

Pramod Kumar – UBS Securities: 6,500 crores. Is this before the proposed equity infusion of 1,200 crores?

Management {? Desikan ?}: Yes.

Pramod Kumar – UBS Securities: Okay. Fair enough. Thanks a lot, and wishing you all the best.

Management {? Desikan ?}: Thank you. Thank you.

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

Kumar Rakesh – BNP Paribas: Good evening, and thank you for taking my questions. My first question was around the subsidiary losses, which increased during this quarter. I understand that once Norton products are launched, this should hopefully start improving.

More specifically, regarding the e-bike business, over the last 4 or 5 years, that business has had cumulative losses of around 1,300 crores, and those losses do not appear to be coming down. What is the strategy there, and has any fair-value assessment been done for those investments?

Management: I have already given you the full explanation. The products are being launched in many markets, and dealerships are being established. We are also introducing certain new models, some of which you will see at the EICMA exhibition.

It is a journey, and we are very confident. The media feedback and customer feedback have been very positive, both for Manx and Atlas. We are very confident that this brand is going to become one of the best brands in the super-premium category. That is what I would like to say about Norton.

Management {? Desikan ?}: Regarding the e-bike business, the current-quarter loss is lower than the previous-quarter loss. That is the first point. The loss is again because of brand-related expenses incurred for Norton, and the launch-related costs have increased slightly from the previous reported quarter. That is the reason for— [cut off]

Management: Actually, I would say that these are all investments behind Norton. Last year, we started the journey with EICMA, and then we established the network and invested behind the launches. We conducted media rides, collected feedback, and set up facilities in Solihull within TVS Motor.

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As I told you, we are now present in many markets in Europe. You will see us in India, and after that we are looking at many markets in the US. It is a journey. These are investments. I would say that these are all investments.

Kumar Rakesh – BNP Paribas: I understand the Norton side, but my question was more about the rest of the e-bike portfolio outside Norton, specifically Swiss E-Mobility, GO, and some of those businesses that have been consistently reporting losses.

Management: For some of those businesses, we have curtailed losses, and we will continue to curtail losses going forward.

Kumar Rakesh – BNP Paribas: For the last 2 years, the losses have been quite high and have not come down. Are you saying that the losses have started coming down this year?

Management: Yes. Yes.

Kumar Rakesh – BNP Paribas: Just one final question on the investment in the Singapore entity during this quarter. Can you give us some understanding of where that is going? Is it entirely for Norton?

Management: Yes, it is entirely for Norton. The additional investment of 1,200 crores that we mentioned is for TVS Credit Services.

Kumar Rakesh – BNP Paribas: Understood. Thanks a lot.

Management: Can we have the last question, please?

Operator: Yes.

Operator: The next question is from the line of Viraj Kacharia from SIMPL. Please go ahead.

Viraj Kacharia – SIMPL: Thank you for the opportunity, and I wish you all the best in your future endeavors. I have three questions, largely on the consumer finance demerger that we announced.

First, regarding the investment of 711 crores that we made during the quarter, at what valuation did we invest in TVS Credit Services? For clarification, in addition to that, will we be infusing another 1,200 crores into TVS Credit Services before the demerger? Is that correct?

Second, at the holding level and promoter level, TVS Holdings also has another NBFC. As per the RBI's directive, both NBFCs have to be merged into a combined entity. If we are looking at an 8-to-10-month window for this demerger, how does the process work for the next step, which is one combined entity?

Management: Let me answer the second question first. The consolidation of NBFCs mandated by the RBI is already underway. It is in process. We have already received the requisite approvals from the Board, and we are awaiting approvals from the regulatory authorities. That process will be completed by March 2027 or April 2027. The appointed date for the demerger is subsequent to that, namely July 2027.

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Therefore, the consolidation process will happen first, followed by the demerger. I think I have answered your second question.

Coming back to your first question regarding the subsequent investment of 1,200 crores, this will be infused depending on the capital requirement. Regarding the demerger ratio, as I explained earlier, all shareholders will receive the same number of shares as they hold today. Thank you.

Viraj Kacharia – SIMPL: The 711 crores that we infused during the quarter that has just ended—at what valuation did we invest in TVS Credit Services?

Management: Regarding the valuation, I have to check the multiple and other details.

Viraj Kacharia – SIMPL: Okay. And—

Management: This purchase was made from the existing shareholders. It was not an infusion into TVS Credit Services. It was a secondary purchase of 711 crores, if I remember correctly.

Viraj Kacharia – SIMPL: Going into 2028, since TVS Credit Services and consumer finance will now be a completely separate entity, how should we look at the investment spend for TVS Motor going into 2028?

Management: The investment, please understand, will predominantly be in the area of new product development for TVS Motor. For Norton, we have to look at the product plan and determine what kind of investment is required. Apart from that, we will constantly evaluate any new opportunities.

You know that we have always looked at new products and new technology, and we have also always looked at areas where there is an opportunity. That work is now underway. Possibly next quarter, we will be able to give you some guidance on FY28-FY29 and the likely numbers.

Viraj Kacharia – SIMPL: Thank you very much, and best of luck.

Management: Thank you. Thank you.

Before I close, once again, festive greetings and a happy Diwali to all of you. While commodity prices increased in Q1 and Q2, we were able to increase prices to some extent. We were able to partially mitigate the impact through cost reduction and optimization initiatives related to product mix.

Most importantly, we were able to drive the top line, especially in Q2. With a complete portfolio, our unwavering focus on consumer quality, and the new products offering attractive quality, technology, and features, the company is confident of outperforming the industry in both domestic and international markets.

I am very confident that, going forward, customer demand for TVS products will remain extremely positive and strong in two-wheelers, three-wheelers, and many markets in India as well as abroad. We are confident that we will continue the momentum in our EBITDA journey going forward. Thank you. Thank you to all the investors and analysts for joining today.

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Operator: Thank you. On behalf of 361 Capital Market Research, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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