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Ladies and gentlemen, good day, and welcome to the TVS Motor Limited Q3 FY '19 Earning Conference Call hosted by Batlivala & Karani Securities India Private Limited. (Operator Instructions) Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Director & Deputy Head of Research [2]

Yes. Thank you, Lizan. Good afternoon, everyone. On behalf of B&K Securities, I welcome you all to 3Q FY '19 Post Result Conference Call of TVS Motor Company Limited. We are delighted to have with us today Mr. K. N. Radhakrishnan, Director and Chief Executive Officer; and Mr. K. Gopala Desikan, Group CFO.

I will now transfer the call to Mr. K. N. Radhakrishnan for the opening remarks to be followed by the question-and-answer session. Over to you, sir.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [3]

Good afternoon, everyone, and we are extremely happy to share the results of TVS Motor Company Q3. Revenue grew by 26%, INR 3,700 crores to INR 4,665 crores. Two-wheeler overall sales numbers grew by 19%. Scooters 32%, motorcycles 20% and moped grew by 1%. Domestic two-wheeler sales grew by 19%. Exports two-wheeler grew by 19.5%. Three-wheeler sales grew by 47%.

The profit before tax for the quarter is at INR 258 crores compared to last year's similar quarter INR 210 crores. EBITDA for the quarter is at INR 375.7 crores compared to last year INR 300.5 crores. EBITDA grew by 25%, and the EBITDA for the quarter is at 8.1%. Profit after tax is INR 178.4 crores compared to INR 154.3 crores.

During Q3, this time the season was split between end of Q2 and the Q3 beginning. The product range off our Jupiter Grande, Apache, the new TVS Sport and TVS StaR City+ continued to do well. NTORQ is doing extremely well. Apache RTR 160 4V has received very good feedback from the market, and we have also crossed the 1 lakh, both NTORQ 125 and Apache RTR 160 4V. Both have crossed 1 lakh sales in 6 months of launch.

Radeon, which was launched very recently, is also doing extremely well. The product range of TVS definitely is helping us to grow faster than the industry. Exports continue to do well and we are confident that the trend will continue in the future.

Q3, the growth was lower than H1. However, we are expecting a better Q4. The overall feel in terms of growth, we will definitely continue to exceed the market growth. We have a very strong portfolio of mega brands like Apache, StaR range and Radeon and Jupiter and NTORQ. Thank you.

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Questions and Answers

Operator [1]

(Operator Instructions) We'll take the first question from the line of Kapil Singh from Nomura.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Executive Director [2]

Firstly, I wanted to check on the industry growth itself. We have noticed some slowdown in December. Whole industry was down 2%, I think. So what are you picking up on the industry growth itself? Is Q4 going to be better significantly or the industry growth remains slow?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [3]

The festive season during that time, you will remember, that we had the insurance costs impacting the commuter motorcycles and everyone, including the entry level up to the premium category. In addition, we had the liquidity crisis. So those put together, we have seen the industry very muted during Q3. Given the overall scenario becoming a little better in terms of the liquidity as well as the retail finance availability, we are expecting Q4 to be better.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Executive Director [4]

Okay. And secondly, I had actually a couple of questions on the financials. Firstly, we have seen good improvement in realization, so could you comment on that? And also let us know on the pricing actions that the company has taken, both in Q3 as well as, if any, in Jan? And second question was on other income. For the 9-months this year, the other income is much lower than last year, so some thoughts on that as well.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [5]

In Q3, we have taken a price increase to the tune of 0.6% and year-to-date, I think, is 0.9%. This is in the domestic. And we are also looking at -- as you know, the new safety regulations are coming, so all the products are completely getting migrated to SBT and Apache series into ABS. So there is a price increase contemplated, some we have effected, some we will be doing it now.

K. Gopala Desikan, TVS Motor Company Limited - CFO [6]

On the other income, why it is lower than last year, the 9-months ended, the main reason is we had the fair valuation gain of TVS Credit Services and post we became a subsidiary that's not there. So it's just a notional gain included in 31/12/2017 in line with the Indian Accounting Standards.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Executive Director [7]

Sir, that was about INR 50 crores, right, even if I...

K. Gopala Desikan, TVS Motor Company Limited - CFO [8]

That's around INR 58 crores.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Executive Director [9]

Yes. So even if I adjust for that, the other income is still lower.

K. Gopala Desikan, TVS Motor Company Limited - CFO [10]

No, the other one is the CST of Karnataka that was also around INR 10 crores included. It's a onetime reimbursement incentive that was included.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Executive Director [11]

Okay, okay. So this is a steady run rate, there should be no changes?

K. Gopala Desikan, TVS Motor Company Limited - CFO [12]

Yes, yes, yes.

Operator [13]

The next question is from the line of Pramod Kumar from Goldman Sachs.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [14]

And my first question pertains to the ABS transition. So if you can just highlight of the Apache range, which I primarily assume will be impacted by this, how much of their volumes currently are already coming in from the ABS option? And by when do you expect to have the 100% of the conversion moving to ABS? And related to that, is it going to be a single-channel ABS, what you're going to pursue, or is it going to be dual-channel ABS?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [15]

First of all, we are complying with all the transition what is required. So all the products like Jupiter, Wego, Radeon, which are all already with SBS -- SBT, synchronized braking technology. With respect to Apache, we are moving on to ABS. Already the supplies -- the production has started and the supplies into the market will start.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [16]

And whether it's -- you're going to pursue single-channel ABS, which is cheaper but not very effective or you're going to go for the full?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [17]

It's -- no, no. It depends upon the customer. See, we have both single-channel and dual-channel, both are available. So based on the customer liking, we'll be putting it into the market.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [18]

Okay, no, that's good to know. And, sir, on the domestic inventory side, if you can provide some color as to end of December how was the inventory situation and where would you -- is it at the ideal levels? Or would you like to see some more correction in your wholesale inventory -- or the dealer inventory?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [19]

Our strategy is always to keep 4 to 5 weeks inventory and we adhere to that principle. Industry looks like it may be a little higher because everyone was looking at a better Q3. There was the subtle increase of this insurance and the liquidity. Both put together, there was definitely slowness in the retail, what we could feel. However, we always look at carefully managing this inventory and looking at overall the retail.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [20]

And are the trends improving, sir, as per your -- so since the start of the festive season from 14th of Jan?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [21]

I am of the -- I think what we feel is Q4 will be better because definitely we are seeing liquidity is becoming better. Retail finance is also available a little easier now. So overall, I think the sentiments are positive. So definitely, you will see a better Q4.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [22]

Okay. And finally, on exports, sir, if I'm -- [if you could permit,] how is the outlook on that part of the business, sir? Because oil prices have been fairly volatile and some of these markets are fairly sensitive to oil prices and Forex reserves. So how is some of the larger markets responding to this volatility? And your growth YTD has been quite significant, up 34%. So how do you look at the export outlook for remainder of the year and even for FY '20, if you can share that?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [23]

Export is stable. I think, the oil prices and the currencies in most of the markets are stable. Availability of dollars is also better this year. So we feel that the current momentum of the industry will continue. There is -- we are also growing faster than the industry, thanks to the range -- product range what we have. So exports will be a good story this year and hopefully for next year as well.

Operator [24]

Next question is from the line of Hitesh Goel from Kotak Securities.

Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [25]

Sir, what is your cash balances and investments in mutual fund because -- just wanted to check the yield on these cash balances?

K. Gopala Desikan, TVS Motor Company Limited - CFO [26]

We don't have investments in mutual funds. There is no surplus money for investment. We are -- we have invested for the CapEx for the current year.

Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [27]

Okay. So basically there is -- because you had certain issue -- I go to the other income schedule, you had around INR 180-odd crores invested last year in mutual funds, right? Okay, so that was equity shares into subsidiaries, sorry. Okay, my second question is, sir, in the last quarter, you had done some accounting change, right, in respect to the operating income in which dealer advances was shown as part of the operating income. So what is that amount in this quarter? Because of which maybe -- because if I see the Q-on-Q mix in terms of your product mix, there's not much change. In fact, if I look at Apache as a percentage of overall volumes is much lower in this quarter versus last quarter. Despite that, we have seen a 2.7% jump in your realization. So was trying to understand...

K. Gopala Desikan, TVS Motor Company Limited - CFO [28]

It was not significantly different from the earlier quarter.

Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [29]

Yes. So why is the realization on a Q-on-Q basis up 2.7%?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [30]

Realization is improving because of a better product mix and there was also a price increase and there is exchange gain. So it's a combination of price increase, whatever we have done, better product mix and exchange.

Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [31]

So, sir, what is the rupee-dollar rate you realized in this quarter?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [32]

INR 71.5.

Operator [33]

Next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [34]

You spoke about the ABS implementation. Ultimately, what quantum of price increases can we expect in the Apache range?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [35]

We are working on that. Very shortly, we will announce it, the price increases in ABS, which is very important for Apache and as a brand. All the other models, we have already incorporated the SBT in the pricing.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [36]

Okay. And, sir, do you think in this segment there is another leg of price increase that can dent demand in any way? So maybe...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [37]

ABS is definitely an attractive quality, which is definitely valued by the customer, especially in the premium category. So we are pretty confident that this will be very much appreciated by the customer.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [38]

Right, sir. Sir, and then exports, if you can give some color on new geographies we have entered and any market share gains that we have done in the last YTD, so you can give some color on that.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [39]

YTD, if you look at it, we have -- the export we have grown by almost 30%. The

[Audio Gap]

has grown about 22% and market shares we have gained significantly. I think we have a good range of all the products. Most of the markets have done well, thanks to the stable oil prices, and the currencies are also stable. And we are currently exporting to about 62 countries and we are constantly evaluating opportunities and planning entry into those markets where we are not present. So this is a regular exercise.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [40]

Okay, sir, okay. So I mean, over the last 2 years, any key geographies that would have contributed a bulk of these gains that we are now seeing in exports, sir, any color on...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [41]

Normally, what happens is it takes about 12 to 18 months, even if you enter into a new geography, for stabilizing and setting up the network and establishing. So if you look at it, some markets in LATAM, some markets in ASEAN, we have started exporting in the last 2 years. So these markets will grow much faster in the years to come.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [42]

Okay. Sir, just one last question, if I may squeeze. Sir, we have been investing in this TVS Motor Singapore subsidiary. If you can give some color on what is the role of that subsidiary.

K. Gopala Desikan, TVS Motor Company Limited - CFO [43]

We are exploring several investment opportunities in the new startup space and TVS Singapore is being used for that.

Operator [44]

Next question is from the line of Ashish Nigam from Axis Capital.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [45]

My first question was on the mix, specifically for two-wheelers, how is the share of scooters, motorcycles and mopeds expected going ahead?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [46]

See, the -- I'll give you Q3 and year-to-date. I assume this question is for domestic, right?

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [47]

It's for domestic, but we have the historical number, just wanted the outlook over the next year.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [48]

Yes, yes, yes. I'll give both, I'll give both. I'll first talk about TVS Motor and then talk about the industry what is likely to be and what we are expecting. Actually, if you look at the Q3 domestic sales, we have grown by 18.8% compared to the industry growth of 8.3%. If you look at in this, the scooters, that was your specific question, we have grown almost 32% compared to industry growth of 4%. And year-to-date, if you look at it, overall domestic we have grown [12.7%] compared to 9.5% of the industry growth. And year-to-date, if you look at scooters, we have grown 20% when the market has grown 6%. Now this year, after a long time, if you look at it, because of 2 important actions: one, a significant price reduction in the commuter motorcycle by competition and some slowdown in the other -- we have seen scooter category coming down. Actually, the scooter category year-to-date has come down from 33% to -- 33.7% to 32.2%. However, if you look at in a longer term, along with more and more urbanization, I think, scooters as a category will grow faster than -- faster in the industry. So there is an aberration. It's primarily because of certain competitive action, which is taken, and also a little bit of slowness in the urban industry.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [49]

And the share of mopeds, how would that figure over the next couple of years? How are you seeing that?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [50]

See, moped as a category, it is more looking at bottom of pyramid, which is for -- more for the utility purposes. Even moped has some major headwinds in the first quarter when some of our competitors significantly priced motorcycles close to or below the moped prices. However, if you look at the last 2 quarters, we have started that growing. We may not see a significant change in the category share. We may not lose heavily but we may not gain heavily because it is purely focused on the set of customers who are bottom of the pyramid for a very clear application of utilities.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [51]

Sure. And what happens in terms of regulations, moped will require CBS and fuel injection?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [52]

See, already moped, we have changed it over to CBS and we are already subject -- started supplying, so we've got -- SBT, sorry, not CBS. SBT, we call it SBT technology. We have already started supplying SBT technology in moped. We are already supplying electric-start moped. So moped will comply to all the [laws] and TVS is a very responsible company, we'll be much and well ahead of whatever regulations or changes with respect to safety environment.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [53]

Okay. Sir, my question is more just how this mix certainly plays out in your margin because we understand that moped would have a lower gross margin, but because there's really no ad spends that you need to do on the moped, the EBITDA margin is higher. So is that a safe assumption? How do we see mix affecting our margin?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [54]

We normally don't give individual product-wise or brand-wise. I think the success of TVS Motor is we have the best range for all the customers. And our effort is to make sure that our Apache sells well, Jupiter sells well, NTORQ takes off very well, Radeon takes off very well. In the international market, we look at, again, Apache, again we look at [HLA]. So leverage the portfolio, overall grow the market -- grow end of the market both in domestic and international and establish and make the brands mega. That is going to be our strategy.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [55]

Sure. If I can just try my luck on one last question. We used to have a double-digit margin target, which was -- your stated guidance of Q4 FY '18 and then not really giving a timeline of any one achieve it. Can you mention what kind of timeline you're looking at? Is it next 1 year, 2 years? How do we see that number?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [56]

We are serious about improving our EBITDA margins. We don't want to give any special guidance on the timeline. If you look at this quarter also, cumulatively, if you look at this year, the EBITDA margins have grown 28%, while -- to INR 1,125 crores as against last year's INR 880 crores. And as I said, better product mix, lot of initiatives we have taken on material cost reduction, scale benefits, very systematic internal efficiency improvement program, we are very confident that EBITDA will continuously and consistently grow in the coming quarters.

Operator [57]

Next question is from the line of Amyn Pirani from Deutsche Bank.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [58]

Sir, my first question is more of a clarification. So as far as CBS and ABS is concerned, is it now 100% clear whether the 31st March date is for manufacturing or for selling? Because -- like in the case of BS III, BS IV, there seems to be some confusion.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [59]

As per the government notification, it is manufacturing from 1st of April, 2019.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [60]

Okay. So -- but the dealer can continue sell it?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [61]

However, everybody is preparing themselves to change over because the volume has to be covered into the market.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [62]

Okay, okay, okay. Secondly, I just wanted to check what is the share of financing now in your overall portfolio and how much of that is being done by TVS Credit?

K. Gopala Desikan, TVS Motor Company Limited - CFO [63]

Overall, it's around 50% is funded by retail funding and TVS Credit caters 52% of that.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [64]

52% of that?

K. Gopala Desikan, TVS Motor Company Limited - CFO [65]

Yes.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [66]

Okay, okay. And this 50%, what would have this been, say, in the first 9 months of last year? Like, it seems to have increased significantly this year.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [67]

3% to 4% increases there. Last year was about 43%. This year, if you look at year-to-date, is about 46%. So there is a 3% increase in terms of the retail finance penetration.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [68]

Okay. I just had one question on your other expenses. This year, if I look at -- compare 9-month over 9-month, the growth in other expenses is barely 2% to 3% on a Y-o-Y basis. So I mean, any specific cost line where you have been controlling or could there be a timing issue of certain expenses, they could flow into 4Q? If you'd just help us understand on that.

K. Gopala Desikan, TVS Motor Company Limited - CFO [69]

No, this is for -- for this quarter you're asking or...

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [70]

I'm saying 9-month to 9-month, because there can be quarterly changes in cost items based on festive.

K. Gopala Desikan, TVS Motor Company Limited - CFO [71]

Last year, we had this -- the price expenses, which was shown as in other expenses, due to Ind AS implementation, the other expenses is now being netted against the revenue. Therefore, to that extent, we are not comparable.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [72]

Okay, okay, okay. Understood. So then your EBITDA margin also mathematically would have gone up, you're saying basically, if you compare...

K. Gopala Desikan, TVS Motor Company Limited - CFO [73]

Marginally, yes.

Operator [74]

Next question is from the line of Raghunandhan from Emkay Global.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [75]

First question was on mopeds. The pickup in growth for mopeds, like partly there was this government subsidy, which supported the volumes. How big was the subsidy-related orders, which came in like states of Telangana? So if you can elaborate on that, that will be helpful.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [76]

See, institutional orders keep coming. Every year, something will be there as a part of the institutional orders. This year, also we have [ours]. So that is part of the business.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [77]

And, sir, like on the export three-wheeler side, any impact you're seeing because of Egypt? How big is Egypt in our overall exports?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [78]

Egypt, we are changing the -- there is a change in the distribution. So there is a bit of last year to this year. Now we will start seeing Egypt exports on three-wheelers, definitely we will see that very shortly.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [79]

I mean, has there been any -- like Egyptian government was thinking of stopping licenses for three-wheelers. Has that happened?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [80]

No, no, I don't think I have heard anything such like that. Egypt is a very important market, very big market. And the industry is doing extremely well on three-wheelers in Egypt market.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [81]

Sir, any thoughts on what are the new products to be launched ahead or would it be post BS VI transition?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [82]

See, new product as a part of our journey is a very, very important ingredient for the growth. Along with the new products, we should also give products, which are, for example, Jupiter Grande, what we have given into the market, the new StaR City+, the new sport, they are very, very important. So this is a journey, which we have to continue. And that's the journey we will continue even for 2019, '20, while all of us are working for BS VI transition.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [83]

Understood. And, sir, like on the export can you share the absolute number for the quarter?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [84]

Absolute number for the quarter. Are you asking the sales numbers for exports?

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [85]

Sales numbers, sir, sales number. Revenue number.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [86]

I'll come back to you because of what I have -- [INR 141,000] for Q3.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [87]

No, no. Sir, I was asking for the revenue number, sir.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [88]

You're asking for the revenue?

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [89]

Yes, sir.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [90]

Revenue, INR 1,056 crores.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [91]

Got it, sir. And, sir, like just one last query, on the cost-reduction side, any updates you can share in terms of your efforts on localization, vendor cost rationalization, value addition, value-engineering initiatives, how these are likely to pan out and what kind of a benefit can these measures contribute in the coming quarters?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [92]

All these are initiatives we are pursuing and we are seeing very good improvement in terms of -- I may not be able to give you a break up. However, overall if you look at it as a fixed cost, we are planning to reduce it this year. So far, we have cut down by almost 0.8%.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [93]

0.8%, sir? Got it. Sir, just one last thing on TVS Credit Services. Can you share the book value and the profit performance for the YTD period?

K. Gopala Desikan, TVS Motor Company Limited - CFO [94]

Yes, the book size is now close to INR 8,000 crores and the profit YTD is INR 141 crores.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [95]

How much, sir?

K. Gopala Desikan, TVS Motor Company Limited - CFO [96]

INR 141 crores [DBT].

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [97]

INR 141 crores, got it, sir.

Operator [98]

We take the next question from the line of Basudeb Banerjee from AMBIT Capital.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [99]

A few questions. One, if I see over last 3 years, your raw mat to sales reported as moved up from 71% levels to now 76% levels. So in a period, where you came out with all the fantastic new models or refreshers, say, Apache and Jupiter and NTORQ and the rise in exports, your raw mat to sales increased by almost 500 basis points acting as a hurdle to double-digit margin. So now after many years where steel prices have started correcting a bit, so how do you see the steel price contracts for you down the line? And where do you -- how do you see that boosting your margin?

K. Gopala Desikan, TVS Motor Company Limited - CFO [100]

One is if you restate the Ind AS related requirement of the freight [overs], the revised material cost for the last Q3 is to be right at 74% and it has gone up to 75.8%. So given it's only 1.8% increase over the last reported number, mainly because of customs duty increase, where the duties were increased by almost -- from 7.5% [to 15%] in some of the items we import. That has impacted us close to 0.5%. And the material cost increase itself is around 1%. So these are the 2 main contributories for the increased material costs reported during this quarter.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [101]

So now how do you see your steel contracts down the line at a reduced level, when it will get reflected...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [102]

The material costs are likely to either be flat or likely to come down in the future quarters. However, based on the agreements what we have with the suppliers, there could be a lag of a quarter. So that you will start seeing in the next financial year.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [103]

Sure. That's great. Second thing, sir, like what's the update on like, you must be working in advance for BS VI upgradation. So what's the outlook on cost escalation required for the entry on executive level bikes in your portfolio like Sport, City, Radeon, et cetera?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [104]

As of now the proving is going on. I think, very closer to the introduction of the products, I'll be able to share exactly what is the cost escalation and what is going to be our strategy.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [105]

Sure. And last question, sir, your investment in the real estate business, so what's the mid-year update or year-to-date update on that business? How much is the profitability, et cetera?

K. Gopala Desikan, TVS Motor Company Limited - CFO [106]

No, there is no fresh investment made during this year and the investment now stands at INR 111 crores and the performance updates can be given only along with the annual accounts. The projects are doing very well and very well received in the market. That's the update, which I can give. On the financial performance, it can be shared along with the annual numbers.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [107]

Sure. And -- in the initial part of the call, am I right, you said that year-to-date blended price hike in domestic portfolio is 0.9%?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [108]

Yes, yes, yes, I think it is 0.9%.

K. Gopala Desikan, TVS Motor Company Limited - CFO [109]

Yes, right.

Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [110]

And does that includes the partial cost increases for ABS, whatever you have implemented so far?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [111]

No, this is all related to material cost increases, whatever we have seen up to Q3.

Operator [112]

Next question is from the line of Gunjan Prithyani from JPMorgan.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [113]

Most of my questions have been answered. I just wanted your thoughts on the -- both the regulation changes that we are seeing this year, both safety as well as the BS VI. It's difficult for you to quantify the impact in terms of cost right now. But we did see that insurance cost led to some demand moderation in the market or down trading. So how do you think the next couple of quarters pan out because you will definitely see, in second half, the BS VI products coming through, right? So how are we approaching the market? Does the cost completely gets passed through?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [114]

See, first insurance change was overnight and the impact in the market on onward prices was something like 10% to 11% in the commuter entry segment and up to 7%, 8% in premium segment. With respect to this safety regulations and changeover, if you look at it, most of the products we have changed over to the synchronized braking technology. And whatever price increases we have done so far, it includes all the impact related to that. And we are not seeing any reduction in the demand due to that. And with respect to Apache, if you look at it, ABS is a very, very preferred, what you call, high-end feature which Apache type of customers likes it, okay. So this is unlikely to create any challenge in terms of the demand. Now when -- with respect to BS VI, we are all trying to prove the technology. And when we are closer to launch, we will come back with a strategy. I think there is cost impact, but the challenge is, how do we make sure that we manage both the demand as well as the changeover as a responsible company to BS VI. I'm very sure the retail finance will play an important role in terms of penetration in the BS VI changeover.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [115]

And when do we really see the BS VI products coming on stream? Do you think September, October, we should have the model launches come through?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [116]

I don't want to give a guideline, but we are definitely looking at the next financial year, the transition, because April 2020 is the D-Day. Much, much before that, we will be ready.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [117]

Okay. And anything you can share on, is it going to be higher in terms of cost implications that we saw during insurance, any percentages that you can share based on your [income].

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [118]

It's too early to give any guestimate at this point of time. We are working on the changeover, proving the technology, and putting into the market. So closer to the launch time, we will share how we are planning to look at the transition.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [119]

Okay. And just CapEx guidance, if you can give for this year and next or if you can...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [120]

This year will be about INR 700 crores.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [121]

And next year, any numbers you want to share.

K. Gopala Desikan, TVS Motor Company Limited - CFO [122]

Too early. We are in the process of preparing the CapEx plans for next year.

Operator [123]

Next question is from the line of Pratik Rangnekar from Crédit Suisse.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [124]

This is Jatin. Just a couple of clarifications. So one...

Operator [125]

Sir, this is the operator, I am sorry to interrupt. May I please request you to use the handset more, as we are unable to hear you.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [126]

Hello, is this better?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [127]

Yes, this is much better, much better.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [128]

This is Jatin from Crédit Suisse. Couple of clarifications, one, have you taken any price hike in 4Q in -- as in at the start of Jan?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [129]

We have, we have. I think in certain products we have taken up a small price increase.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [130]

That will be like 0.5%?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [131]

I think about INR 300 average, we have taken up in Apache, Victor, Radeon. I think, these are the products we have taken up and in electric-start moped.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [132]

Okay. Sir, another clarification was on this Singapore investment. Were the investments in the startup space limited to the auto segment or will this be kind of broad based?

K. Gopala Desikan, TVS Motor Company Limited - CFO [133]

It will be related to the industry.

Jatin Chawla, Crédit Suisse AG, Research Division - Research Analyst [134]

Okay. And there was an article in The Economic Times recently about the promoter group putting a royalty on all the companies. So just wanted to check if you have heard anything on that from the promoter group side?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [135]

We do not comment on speculation.

Operator [136]

We take the next question from the line of Chirag Shah from Edelweiss.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [137]

Just a question on electric two-wheeler, anything that you would like to share, what...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [138]

Yes, we are investing and we are definitely doing the product with electric. We will see our products during next financial year.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [139]

In the next financial year. This is helpful. And the second question on the export side. So 2 questions over there. One is what kind of price hikes have you taken in export markets, if any? And second is, are there any pockets, which are showing any concerns on demand on the export market, any geographies?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [140]

Export, this year is stable. And early part of this year we took some small price increases in certain markets and certain brands. That is a regular exercise because we keep looking at which market, what kind of competitive pricing and what opportunities we have on increasing the price based on the demand and the volume. So that is a regular exercise. Overall growth, I think, most of the markets are doing well. And we are confident that the same will continue because the 2 positive things in addition to stable oil prices is the currencies are stable in these markets. That's also helping us. And the availability of dollars is also much better this year. Yes, this will definitely help next financial year also.

Operator [141]

Next question is from the line of Ronak Sarda from Systematix Shares.

Ronak Sarda, Systematix Shares & Stocks (India) Ltd., Research Division - Analyst [142]

A couple of follow-ups. So with the BS VI transition be earlier, the industry thought process was there might be a strong pre-buying given the sharp price increases. During the current demand environment, are we -- is that the case for the thought process right now? Or you do not expect any major pre-buying happening?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [143]

We can't comment on that, but we have sufficient capacities and supply chain readiness is also there. So month-after-month we keep looking at how the volumes are going to pan out and we keep our 4- to 5-weeks at the stock level with the dealers. Based on that, we take the call on supply chain and leveraging of our capacity to deliver. So that I don't see as a challenge.

Ronak Sarda, Systematix Shares & Stocks (India) Ltd., Research Division - Analyst [144]

Okay, my question was not on the capacity side, but on the marketing strategy side. Are we pushing our sales before the BS VI cost increase happened or that is not the case as of today?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [145]

I think too early, too early, because now everybody is trying to prove the BS VI technology and coming into the market. So once the product starts coming into the market, at that time we will have to very clearly study what should be the strategy. But according to me, we don't have definitely capacity constraints for keeping, if such a scenario happens, to fulfill the market requirement.

Ronak Sarda, Systematix Shares & Stocks (India) Ltd., Research Division - Analyst [146]

Sure, sir, sure. And the second question was, again, a follow-up on this royalty bid from the promoter side on the TVS Group companies. I mean, it would be good platform to squash the rumors, if that is the case or -- because I mean...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [147]

See, I have very clearly said we do not comment on speculations. I clearly said, I repeat again, we do not comment on speculations.

Operator [148]

Next question is from the line of Arya Sen from Jefferies.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [149]

I just wanted to go back to the point you made on financing. You talked about 50% retail finance and 52% TVS Credit. And if you look at last quarter, that was about 46%. So -- and I just wanted to tie it back with the comment you made on liquidity and retail financing being an issue for demand in 3Q. So I mean, how do I -- because the share of financing seems to have gone up even for overall financing?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [150]

I think overall there is a growth of about 4% in terms of retail finance penetration. And in terms of TVS Credit, I think, it is around 52%, marginally gone up from last year, similar period maybe 50%, this year is 52%. So that is not a significant change, but the 3% to 4% retail finance penetration is possible. And for industry, also, this should be similar, it's my view.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [151]

Right. And is it fair to assume that TVS Credit share has gone up because you had to sort of bridge the gap and others were facing issues, is that a fair assumption?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [152]

It's not a significant change, if 50% has gone to 52%, it's only a marginal. It's a small number.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [153]

Right, right, right. And...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [154]

It's more from the preference of the customer side because each of the customer prefers certain -- they have certain comfort factors with certain financials. So we also look into that.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [155]

Fair enough. And also, on the CapEx side...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [156]

We also work with -- very closely, with many banks also we work.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [157]

Sure, sure.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [158]

Okay. Sorry, sorry.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [159]

Yes. And also, on the CapEx side, you talked about INR 700 crores this year, how much has already been done and how much of that would be linked to BS VI and ABS, CBS and...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [160]

Yes, about INR 500 crores we would have done and it is a combination of technology, BS VI, new products. It's all related to all -- CapEx related to all kinds of investments, which are likely to get benefit for the future.

Arya Sen, Jefferies LLC, Research Division - Equity Analyst [161]

Sure. And lastly, when you talked about on the electric side product by next fiscal, is that both on two wheelers and three wheelers?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [162]

Too early to comment, but we are very -- we have a very good range and we continue to invest behind the range. Closer to launch, I'll give you more details on which models and what we are planning to do.

Operator [163]

Next question is from the line of Jinesh Gandhi from Motilal Oswal Asset Management (sic) [Securities].

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [164]

Jinesh from Motilal Oswal Securities. My question pertains to, first is, for FY '20 are we looking at double-digit growth? Or given the headwinds, which are there, we should be in mid-single digit?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [165]

I think, we -- process of looking at the industry and calculating what is going on. At this point of time, it will be a very early guess, but I'm confident that when we look at a long-term situation, Q3 we had a lot of challenges; Q4, we are likely to see a little bit of results in terms of overall growth. We will get back to you once the estimates are ready for next year for the industry and what we are looking at as our strategy.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [166]

Sure. Second question pertains to...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [167]

But there is mobility need, I can tell you, two-wheelers in India, there is definitely mobility need. It's a very, very important category connecting for all the type of consumers, both rural and urban. So two-wheelers will continue to grow. It's definitely my take.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [168]

Sure, sure, sure. I understand that. Secondly, for Radeon, we have been doing about 12,000 a month currently. So what are the ramp up schedule there? And I mean, on what kind of volumes are we targeting for Radeon?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [169]

We are planning this month you will see at 20,000, and we are closely watching the demand. And we will -- today, capacity addition is not a big problem at all because we have good supply chain and we have in-house capability. So we will constantly review that and keep building the production capacity for Radeon.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [170]

Okay, okay. And similarly for NTORQ, are we fully ramped up now or there is...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [171]

NTORQ, we are close to now 25,000. We can -- we are building capacity there also. And we are confident that we will be able to make up the demand. The good news is both Radeon and NTORQ are bringing new customers. Overall, there is a good growth ahead of the market, both in commuter category as well as in scooter category.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [172]

Okay, okay. Tolerance with respect to CapEx which you mentioned, INR 700 crores, does this also include investment in subsidiaries as well or that's over and above this?

K. Gopala Desikan, TVS Motor Company Limited - CFO [173]

No, no, it's only a CapEx. That doesn't include the investment in subsidiaries.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [174]

Okay, and investments would be, what, about INR 200 crores, all put together?

K. Gopala Desikan, TVS Motor Company Limited - CFO [175]

It will be around INR 200 crores.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [176]

Okay, okay. And, sir, last question on -- from demand side. In this quarter, what was the trend on variable marketing spend in 3Q, vis-à-vis second quarter, have we seen substantial increase? Or it was broadly stable?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [177]

See Q3, we all anticipated a good growth in the market. So we had invested both in ATL and BTL, and this insurance hike was sudden and that created a huge challenge in the market. Fortunately, we have invested behind only brands and this investment will not be wasted because anything you do on the -- building the brand will always help us.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [178]

Right, right. But direct discounts in that way, they...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [179]

We have not participated in discounts like our competition. Some of our competition [has discounts].

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [180]

Okay. And from that perspective, variable marketing spend would normalize in fourth quarter considering improvement in demand, which we see?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [181]

We are focusing on growing better than the industry. We will definitely invest behind brands like Radeon, NTORQ, Jupiter, Apache. That will consistently do well because these are brands which we want to grow further going forward.

Operator [182]

Next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund.

Shyam Sundar Sriram, Sundaram Asset Management Company Ltd. - Research Analyst [183]

Sir, we introduced this new NTORQ, which was a completely new white space in this quarter for us. Similar to that, in our product pipeline, are you seeing more white spaces there? And if you can slightly elaborate on what kind of -- which segments are we looking at, maybe in the executive, maybe in the premium, any color on where do you see some white spaces?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [184]

Yes, this is an exercise we have to constantly look at it because if we have to grow ahead of the industry, we have to constantly look at these spaces. See when the scooters were growing, we found that there are a set of Jupiter customers or Scooty customers, they want to upgrade to the next level, especially in urban. And they want something really stylish. And they want something which is a little better power and which is connected and today's youngsters want connected. So this was the kind of thought process when we launched NTORQ. Similarly when we look at Radeon, this is the -- this is for new category of customers because we have Sport, we have City, we have Victor Pro, each one is positioned looking at the type of customer. So this is a regular journey we have to constantly achieve. We have to be close to the market. We have to look at how the customer usage trends are changing and we have to constantly beat it.

Operator [185]

Next question is from the line of Nitesh Jain from Birla Mutual Fund.

Nitesh Jain, [186]

Just one small clarification. Did I hear you correctly, you mentioned that you will be doing around 20,000 units of Radeon this month? Did you mention this or...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [187]

Yes, close to that, close to that.

Nitesh Jain, [188]

Close to that, okay. And in terms of the scooter demand, the NTORQ, so are you facing the capacity constraint? Or again this number 25,000 units, is it because of the capacity that you don't have or the back-end or...

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [189]

The capacity -- we always keep the demand a little ahead of our capacity. And capacity today, thanks to our supply chain and in-house speed, it's not a big issue at all because within 2 months' time we are able to move up the capacity. So we constantly review the capacity vis-à-vis the demand in the market and we keep looking at what needs to be done, and thanks to our suppliers and the overall the speed of changeover, I think we are able to meet up the demand.

Unidentified Analyst, [190]

All right. So essentially basically both the Radeon, the entry-level bike as well as the NTORQ, which is a premium scooter, they are doing very well for you?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [191]

Yes, yes, yes. I think both the models are doing very well. Can we have this as the last question.

Operator [192]

Sure, so we take the next question as a last question from Nishant Vass from ICICI Securities.

Nishant Vass, ICICI Securities Limited, Research Division - Auto and Auto Ancillary Analyst [193]

Sir, my first question is, again, continuing on the NTORQ side, on the new products. Sir, obviously, it's been some time that the product has been launched, could you throw some light on the customer profiling for the NTORQ as in split between say the first-time buyers, how are the urban and the rural split, like who -- which are -- who are the buyers who are coming for NTORQ from? Is it from the market leader, just some thoughts on that would be really helpful?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [194]

It is -- the NTORQ, this is for people who are young at heart. I'm using the word young at heart because while this is a product which is very aspirational because there is a -- Jupiter kind of a product is very good and it is a scooter for common use and this one. Whereas, NTORQ has got certain special styling. It has got certain power, and this is more focused on people who are young at heart, young at mind, not necessarily only young people in the age group. So definitely, we are seeing the response from most of the customers in that category buying more and more NTORQ.

Nishant Vass, ICICI Securities Limited, Research Division - Auto and Auto Ancillary Analyst [195]

So, sir, would it be fair to assume that you must be seeing a lot of customers who would probably not have been buying a Jupiter prior to you -- prior to launching this product, are you seeing a completely different class of customer walking into the dealerships?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [196]

We don't look at it that way. We look at the -- we have Jupiter. We have NTORQ. Are we growing together the overall volume of scooters? Are we going ahead of industry? That is the way we look at it, okay. There may be customers who are maybe upgrading from Jupiter. There may be new customers who are coming into the portfolio. Put together, if you look at it this year the scooter category has grown about 6% and we have grown about 20%. And the good thing is Jupiter has also grown ahead of the industry. So overall, both, the Jupiter is doing well, NTORQ is also doing well.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [197]

Sir, my last question, again, sorry, on the channel side, because we have seen a significant increase in market share on the scooter side over the last few years with the successful product introduction. Have you seen any meaningful change in terms of the conversions that have happened on this side of the business?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [198]

Conversion in the sense -- I didn't understand the question.

Nishant Vass, ICICI Securities Limited, Research Division - Auto and Auto Ancillary Analyst [199]

As in the walk-ins to purchase kind of a ratio, that a lot of OEMs track dealer conversion.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [200]

This is a regular exercise. We need to look at prospecting. What is most important is we have to keep building the brand. We have to keep communicating the goodness of our product range and keep highlighting. And, as you know, last 4 years, company has been successful in the J.D. Power. So it's a combination of many things, whatever we have done is benefiting the company today.

Nishant Vass, ICICI Securities Limited, Research Division - Auto and Auto Ancillary Analyst [201]

Sir, my last question is more like a data housekeeping question. Can you sort of highlight the network data right now? And what are your plans on expansion on the network side?

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [202]

Network, one second. Network, we are about...

K. Gopala Desikan, TVS Motor Company Limited - CFO [203]

4,800.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [204]

About 4,800 total network.

Thank you. Thank you, everyone. And as I said, I think, we are expecting Q4 to be better than Q3 for the industry. And with the kind of product range what we have, both in domestic as well as in international, we will continue to grow ahead of the industry. And our target and goal is to consistently grow our EBITDA with the kind of product range, the initiatives, whatever we have taken on cost reduction. Thank you.

Operator [205]

Mr. Vass, does that answer your question?

Nishant Vass, ICICI Securities Limited, Research Division - Auto and Auto Ancillary Analyst [206]

Yes, yes, thank you.

Operator [207]

Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Annamalai Jayaraj for his closing comments.

Annamalai Jayaraj, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Director & Deputy Head of Research [208]

Yes. Thank you, everyone. On behalf of B&K Securities, I would like to thank Mr. Radhakrishnan and Mr. Gopala Desikan for taking time out for the call. We also thank TVS Motor's management for providing us the opportunity to host the call. Have a good day.

K. N. Radhakrishnan, TVS Motor Company Limited - President, CEO & Additional Whole-Time Director [209]

Thank you. Thank you, everyone.

K. Gopala Desikan, TVS Motor Company Limited - CFO [210]

Thank you very much.

Operator [211]

Thank you very much. Ladies and gentleman, on behalf of Batlivala & Karani Securities India Private Limited, we conclude today's conference. Thank you for joining. You may disconnect your lines now.