

## TVS SRICHAKRA LIMITED

### 40<sup>TH</sup> ANNUAL GENERAL MEETING

Wednesday, 20<sup>th</sup> September, 2023 at 10.00 AM

**Company Secretary-** Sir, the quorum is present, and I request you to start the proceedings.

**Chairman-** I welcome you all to the 40<sup>th</sup> Annual General Meeting of the members of the Company. The quorum is present, as the Secretary just mentioned. I declare the meeting open. I also confirm that all the Directors are present, as well as the Company Secretary, CFO, as well as the Auditors, are also present for this meeting. The meeting is conducted through video conferencing and without any physical presence of the members at a common venue, in compliance with the applicable provisions of the Companies Act and SEBI and under the circulars issued by the Ministry of Corporate Affairs. Members who have joined the meeting are on mute by default to avoid disruptions. Once the questions and answers session starts, the Company Secretary will announce the names of the members who have registered as member speakers, one by one. Thereafter, the member speakers will be unmuted by the moderator to enable him or her to speak. The speakers are requested to introduce themselves by mentioning their names, client IDs, and folio numbers before raising the questions. The requisite steps have been taken by the Company to ensure that all the stakeholders participating in the AGM through video conference have a seamless experience and are also able to vote on each item of the business proposed in the notice of the AGM. Since the notice convening this meeting has been circulated by email and hosted on the Company's website, with your permission, the notice may be taken as read. I request the Company Secretary to read the Auditor's report for the members.

**Company Secretary-** Members are aware that the Statutory Auditor's report and the Secretarial Audit report are unqualified and unmodified. So, the reports are not required to be read out at this meeting in terms of section 145 of the Companies Act. I request the Chairman to deliver his speech.

**Chairman-** Dear members, on behalf of TVS Srichakra Limited, it gives me great pleasure in extending a warm welcome to the 40th Annual General Meeting of the company. Thank you for the support you continue to extend to the Company. This is truly appreciated. Over the past three years, this AGM is being conducted on a digital platform. At our last AGM, we spoke of the global economy being in some turmoil. This turmoil continues. Global growth is projected to fall to 3% in 2023 and 2024, down from the already low figure of 3.4% in 2022. Raising interest rates to combat inflation continues to weigh on economic activity. Although India is not completely immune to the global economy, the outlook for India continues to be more heartening. India's economy is expected to grow by 6%-6.5% in the financial year ending March 2024. Although this is lower than earlier estimates of GDP growth of over 7%, this will place India as the fastest-growing economy in the G-20. The Company and its Board of Directors continue to monitor the environment in which we operate, with a focus on mitigating risks while at the same time seeking out all possible growth opportunities. The challenges of financial year 2021-2022 continue to be there in 2022-2023. A subdued demand was accompanied by increased raw materials and other costs. I am pleased to report that even in the face of these challenges, the Company has reported an increase in Profit before Tax from ₹56.9 crores to ₹91.3 crores for the FY 2023, and it has continued to remain the market leader in the OE segment and grew in the market share in the domestic replacement market. The Company also grew in global business, both off-highway tyres as well as two and three-wheeler segments. The Company has a record of rewarding its shareholders, and on a continuing trend of this, the Board has recommended a final dividend of Rs.32.05 per share, up from Rs.16.30 per share in the previous year. As we meet, the Company has announced its first quarter results for the financial year 2023-2024. The results show a continuing improvement in financial results for the year compared to the previous year. Profit before Tax in the quarter ended 30th June, 2023 rose to Rs.24.9 crores from Rs.0.3 crores of the previous year. While demand continued to be subdued, the raw material cost has seen a cooling down and we hope this continues along with the internal efforts of the Company, having translated into better results. Our efforts continue to be focused on profitable growth over the remainder of the current fiscal. The

Company is progressing well on its expansion program. Investment in increasing the Company's capacity and technological capabilities in the off-highway tyre segment was a significant initiative as part of the overall expansion program. This has progressed well with commercial production having commenced. This investment is focused on global markets. A new range of products is being developed and introduced. The initial feedback is positive and should translate to growth in the OHT segment in the coming years. The Company continues to grow its global two-wheeler tyre business as well. The range of products directed at Europe has increased, offering a wider range to our customers. Simultaneously, our geographies are being accessed by a product range suited specifically for the markets we operate in. Globally, as the tyre industry was recovering from the effects of the COVID-19 pandemic, a global economic downturn and the war in Ukraine have caused fresh disruptions. The global tyre market is valued at US\$ 245 billion and is expected to grow by 3%-3.5% in the next few years. India's tyre industry forecast is to grow at a faster pace than the three global giants as the penetration of vehicles in India grows. In the short term, the production of passenger cars and commercial vehicles has recovered strongly, but the production of two and three-wheelers has suffered in this period. This is the consequence of substitute rural demand and the increase of vehicle prices stemming from raw material costs. In the medium term, the demand outlook remains favourable on account of increased demand for personal mobility, growth and replacement market, and growing demand in exports, Although impacted in the short term by the war in Europe, as well as the recession trend in the global economy. The growth of the e-vehicle segment specifically the scooter segment, will impact the structure of the industry. With many new players entering the field, this will increasingly influence growth in the coming years. Your Company has positioned itself to participate in this opportunity with its product range. The Company's efforts at establishing a strong consumer brand continue. Your company is the principal sponsor of CSK in IPL. This is the second year of the partnership. We expect to see the branding efforts have a positive effect on the Company's growth prospects, both locally as well as globally. The Company's corporate social responsibility initiatives are aimed at the inclusive development of the community at large. This is done through a range of social interventions, enhancing skills and building social structure to improve the livelihood of the beneficiaries. The Company remains committed to these actions. I would like to take this opportunity to thank all customers and suppliers for their unstinted support and actively contributing to our success. We would like to thank our bankers and the financial institutions, the Government of India and the respective state governments for supporting us. Finally, we at TVS Srichakra remain ever committed and sincere in our efforts to keep delivering better value to you, i.e., shareholders. Thank you.

**MD** - We have received queries from members. We will consolidate the queries and respond to the questions raised. We request the members to restrict their question time to about five minutes each as there are quite a few members who have requested time to speak at this AGM. So, I request the Company Secretary to call up the names of the registered speakers.

**Company Secretary**- Thank you Ma'am. I request the moderator to unmute the member as I call out the names of registered speakers one-by-one. Please unmute Mr Santosh Kumar Saraf from Kolkata.

**Santosh Kumar Saraf**- *Shrimaan sabhapati ji, upsthit nirdeshak mandal ke sadhsaygan, adhikarigan or karamchaarigan, mein Santosh Kumar Saraf, Kolkata se aap sabhi ko namaskar karta hoon. Ashan karta hoon aap log iss samay ache swasathay mein ache se honge. Mein un karamchaari bhai aur humare worker jo kareeban 4500 worker hain unka bhi aabhar prakhat karta hoon. Jinki mehnat ka fal hain ki is baar ₹32 va dividend Company ne diya. Ye unhi ki mehnat ka fal hain aaj management ne acha dividend announce karne ki himmat kari. Unse meri prathna hain ki issi tarah aap kaam kariye. Humein bhi acha result milega aur bhavishay mai aapko bhi acha parinam milega. Sir aapne bahut acha bataya, aapka result bhi kaafi acha hain. Lekin mujhe do prashan aapse karne hai Sir. ek toh aap ke kareeban 4000 karamchaari hain, lekin isme naari shakti yani female employees bahut kam hain. Aapke permanent employee main se ek 3% female employee hain Sir. Aakhir aisa kyun, jabki apki world mein 80 jagah pe offices hain, aur puri India mein offices hain aapki? Toh aapko kahi bhi female employees yadi ek ek bhi rakhte toh 100 se upar aapke female employee ho sakte the. Toh kyun nahi aap unko badhawa dete? Kya aapko lagta hain ki wo aapke kaam ke laayak nahi hain ya apne kaam ko nahi kar sakte? Jabki abhi 33%*

reservation Modi Ji ne announce kiya hain parliament mein yaani wo rajneeti main kar sakte hain. Abhi jo Chandrama mein jo gaya hai usme bhi naari shakti ka haath tha aur humare Finance minister aur President bhi naari hain. Toh main management se prathna karunga ki aap south mein ho, south ki naariyan toh bahut himmat wali hoti hain, kaam wali hoti hain. Toh unko zyada se zyada badhawa dijiye, aisa mat samjhiye ki factory hain aur tyre ki factory hain toh wo wahan kaam nahi kar sakti, unko mauka dijiye dekhiye wo apna hunar zaroor dikhayegi. Aapne rainwater harvesting aur renewable energy ke liye kya kadam uthaye hain, iske baarein mein bataiyega? Aur future mein aapka iss growth ko kayam rakhne ke liye kya kadam aap utha rahe hain, iske baarein main batae. Jis tarah se aapne iss baar highest dividend diya hain, aasha karte hain ki bhavishay mein bhi issi tarah dividend denge. Iske lie aapko naye kadam uthane padenge tabhi sambhav hain. Jitne bhi Director hain aur jitne bhi karamchaari hain jo aaj video conference ke through present hain, unko financial year 2023-2024 ki shubhkamana deta hoon aur bhagwan se prathna karta hoon bhagwan FY 2023-2024 sabhi ke lie healthy, wealthy, prosperity ke saath vyatit ho. Mein moderator ka bhi aabhar prakhat karta hoon ki kaafi achi service ke lie. Ek baar humare jitne bhi karamchaari jo factories mein kaam karte hain, unke prati aabhar prakhat karte huye unke ache kaam ki sarahna karte hue apna vyaktavya samapt karta hoon. Jai Hind, jai Bharat. Aasha karta hoon ki agle saal bhi aap VC mein mulaqat hogi. Agar physical karte hain toh main chahunga ki 10-15 minutes ka session rakhiye VC ka jisse moderator apko help karein or hum bhi join kar sakein. Namaskar.

**Company Secretary-** The next speaker is Mr. Bharat Raj from Guntur, Andhra Pradesh.

**Moderator-** Mr. Bharat Raj has not joined. So, we can move on to the next speaker.

**Company Secretary-** The next speaker is Mr. Aspi Bhesania from Mumbai. Please unmute him.

**Aspi Bhesania-** I am Aspi from Bombay. I have been a shareholder since the IPO in 1990, but I am attending your meeting for the first time due to this online meeting. I would request you continue with hybrid meetings when the physical meetings start. Your IPO was Rs12 in 1990, and in 33 years, we have got a considerable appreciation for which I thank the management. I congratulate the management for a good first quarter, although PAT is less in QoQ previous years' tax. The revenue for the year is almost Rs.3000 crore. When can we expect a Rs.5000 crore revenue? Since our Company is doing well, there will be demand for higher dividends, bonuses, splits and everything. Do not do anything. Let our share price increase and compete with MRF. During the year, our inventories and receivables have been reduced, which is very good. We have about Rs.660 crores as borrowings as of March 2023. Can we become debt-free in the current year? Since the economy is not doing well, can we not acquire some tyre Company at a cheap price? Normally the Company Secretary of a Company or someone from the share department calls the speakers, but I did not get any call. I still have shares in physical from the IPO days, and I would like help from the Company Secretary in getting them DEMATED. Sir, K-Fintech is almost there in 95%-99% of the cases, returns the DRF on flimsy grounds. If they do not find any flimsy grounds, they reject on account of signature difference. I hope that our Registrar does not get thrills by rejecting DEMAT requests like K-Fintech. I feel that I have also earned unclaimed dividends since during the COVID-19 lockdown, cheques were received after three months, and I request someone from the share department to contact me and inform me about these procedures. Sir, during the year ending March 2016, you had a PAT of Rs.197 crore. When can we reach that level even on a higher revenue? Sir, everybody is going into the off-highway segment. Will the segment not be crowded, and margins of other companies will also not be affected? Sir, please inform the reason for the dividend of Rs.32.05. Why not Rs.32? Thank you very much, and all the best for the future.

**Company Secretary:** Thank you, Sir. Next Mr. Rohit Prakash. Please unmute him.

**Moderator:** Mr. Rohit, you are there; you can unmute yourself, and you can speak

**Rohit Prakash:** Good Morning. Thank you for the opportunity. This is my third AGM with the Company. I am an admirer of the TVS group and it is great to see you shepherd the Company the way you do, with customer focus and long-term focus-right, front, and centre. So, I got interested

in the TVS Srichakra Company because the Company has taken the initiative in the last 3-4 years because of the focus on exports, focus on brands, and focus on expansion. So, few questions on these:

1) We had announced a Rs.1000 crore CAPEX 2-3 years back, and I believe we have completed the CAPEX for OHT. So, what are the management and the Board thinking of the two-wheeler expansion? Do you expect to increase capacity there, or are we going to focus on technology improvement right now, given that we are in terms of the two-wheelers industry?

2) We give qualitative commentary in the Annual Report on gaining exports doing well, the after-market doing well, etc., and maintaining OEM market share. Could you give us a break of what proportion of two-wheelers are seen in the OEM and aftermarket? What are the aftermarket sales as a percentage of total sales, and how has our aftermarket sales improved in the last, let us say, a year or two? That data would be interesting to know, to understand if our brand initiatives and distribution initiatives are bearing fruit.

3) The Chairman did mention this slowing of demand growth. How do we see that impacting us over time because we have great competitors in India as well as in the World as well? Do we see this slow global growth impacting our ability to take market share going forward? A commentary on that would be something that would be interesting to understand more on.

4) My next question is on electrification. We always had a great OE market share with ICE vehicles. What is our market share with EV vehicles? We have made inroads, as mentioned in the Annual Report. What is the market share something that would be interesting to understand more about.

5) It is good to see that some of our subsidiaries doing well. TVS Sensing Solutions have performed extremely well this year. So, what is the long-term plan with the management of this Company? We have incubated this within TVS Srichakra, but what is our 5-10-year plan with this Company?

6) TVS Automobile Solutions: We have around nine and a half lakh odd shares in the Company. What is the percentage ownership with TVS Srichakra of TVS automobile solutions? That is something I am curious to know as well.

7) Could you also help me understand the after-market? Do expect to do anymore initiatives to further increase our share? I believe that is the best margin profile among all the segments that we have.

8) Last, could you speak a little more about our margins, because we have hit a very good margin of 10-12%. So, when do you see our operating margins getting that mark again? Do we see us happening this year or next year? How do we see that going forward is the last question I have. Thank you so much for your time. It is always a pleasure to interact with you all at the AGM.

**Company Secretary:** Thank you. Next, Mr. Keshav Garg.

**Keshav Garg:** Sir, I am your loyal shareholder from Pune, and I am interested in understanding the business and prospects of the Company. So, the following is a brief list of my questions:

1) What is our outlook for FY-2024 in terms of top line and bottom line?

2) What kind of EBITA margins are we looking for in FY-2024?

3) Considering the cooling off of crude oil prices year on year, do you expect that the worst of the margin pressure is behind us?

4) When can we expect to achieve the 14% EBITA margins achieved in FY 2017?

5) What kind of pricing arrangements do you have with the OEMs?

- 6) Do we pass through any fluctuations in raw material prices to our customers?
- 7) What percentage of our total sales are from our after-market sales?
- 8) Can you please share contributions of two-wheelers, three-wheelers, private vehicles, and commercial vehicles in the total sales in terms of revenue?
- 9) What is the sustained state steady EBITA margin that we should expect going forward?
- 10) We made a CAPEX of Rs. 206 crores in FY-2023. How much was maintenance CAPEX, and how much was utilized to set up new capacity?
- 11) What is the additional turnover we can expect from new capacity?
- 12) What are our CAPEX plans for FY-2024?
- 13) What will be the main drivers of growth for the Company for the coming 2-4 years?
- 14) Do we have plans for further capacity expansion?
- 15) Does the Company have any plans to shift focus towards exports and capitalize on China plus one sentiment as exports were only 13% of the revenues
- 16) Lastly, can you share more details of the business and operations of our subsidiary TVS Sensing Solutions Pvt Ltd., which recorded a 47% increase in the net operational turnover of Rs.118 crores? Should we expect a similar kind of growth from our subsidiary going forward?

That is all from my side. I hope you answer all my questions. Thank you.

**Company Secretary:** Thank you.

**MD** - I think myself, my team here, Arvind, COO and Raj, CFO, will be able to answer many of the queries that have been raised by the shareholders. So, let me start by thanking the shareholders for the interest that they have shown in the Company and asking very important questions that show the interest that they have in the being of the Company. So, let me start with the question about the revenue of the top line that is asked by many of the shareholders. The topline gets reset because we have another question raised on the pricing. It goes up and down as if there is a raw material price drop. We share the drop of price with the customers, whether it is the OE market, the aftermarket or exports. In all three markets, we share the price reduction in raw material because across the globe, everybody is aware of the material price difference and because of that, there is a topline drop as well as increase. So, this Rs. 3000 crore, if I put the number for raw material price in FY-2016-17, it will be very different from what we have achieved now. So, I think in the short term, it is not possible to state whether Rs. 3000 crore will be the value or something more. But with the capacity that we have invested, we will be able to grow the Company and reach the Rs. 5000 crore. I think that is the way to look at it. That is one. Then, thank you, to some of the shareholders who said that there was no need for the higher dividend but there may be expression from different shareholders' expectation because some expect more dividend but we have been having a consistent dividend policy as a Company from the beginning and we have ensured that from the beginning and we have ensured that at no point of time except maybe one or two years in the initial years that we have skipped the dividend. Then in terms of being debt free as we have mentioned and you must be aware that we have borrowed money only for the expansion, whether it is in the two-wheeler space or in the OHT, which is the focus segment for us and will help us derisking the Company's future. So, we have borrowed only to ensure that it is for the growth. So, as and when we have a profit we have a plan of repayment of the borrowing that we have. Then there was the talk of acquisition of some tyre companies- we are looking for collaborating and we are on the lookout but you must be aware that the tyre industry is very capital intensive. So, if we are going to invest it is going to be more expensive and I think the Indian

companies can invest but it is frugal. So, we are not closing the opportunity but we are on the lookout for businesses, if there is anything coming up which are affordable and maps with our Company's philosophy. I think there have been issues raised on DEMAT, signature difference, unclaimed dividend and all that. Our Company Secretary will definitely be reaching out to those shareholders and will try to help, resolve those issues. Yes, in 2016 we have had the highest profit and I think we are working as a team to see whether we would be able to achieve those but a lot of it depends on the market conditions also. So, I think there are some issues but we are putting our best efforts. Arvind, will you take what Rohit has asked particularly on the OHT. It has been mentioned that it is a crowded segment. But, the segment is very large and so, I don't think by our entrant we will be displacing anything in the global market. So, it is not significant crowded. There is still room for play by others. So, I think I have answered all the queries.

**Arvind:** *So, mein Hindi mein jawab dunga. Pehle Mr. Santosh Saraf ne pucha tha, 1-2 cheez puche the. Ek toh female employees ke baare mein puche the. Aap ki baat sahi hai, but isko iss saal mein aapko thoda change dikhega. Agle saal jab hum milenge toh isme aapko change dikhega. Koshish hum bhi kar rahe hai ke isko badhayenge. Ek sawal apne pucha tha rainwater harvesting ka. Jo saare hamare plants hai unme rain water harvesting fully implemented hai. So, we are using to the fullest. We don't let any water release from our facility. Phir apne ek question pucha tha apne renewable energy ka. So, isme ek chiz aapko jaankar Khushi hogi ke hamari jo electricity jo consume karte hai usme se 70% renewable energy se aata hai. Ye level already high hai magar aage bhi hum isme behtar koshish kar rahe hai. Kuch questions aap ne growth pe puche the jo MD ne already answer diye the. Mr. Rohit had asked some questions which have largely been answered by the M.D., but the last question in terms of CAPEX, yes, the initial CAPEX was done in OHT which is now largely complete. It is now in the process of ramping up. The ramp up takes a little bit of time because we have to develop the entire product range, place it in the market, and it is only then that we really start receiving revenues from it, but it is well underway. The other question you had asked about was the possibility of the 2 and 3 wheelers. Yes, that is always on our radar, in terms of CAPEX that may be directed to the 2-3 wheeler space. While the sheer capacity may not be required at this time but what we have continuously done is invest in technology. For example the range of products that were introduced and the products that have directed at the Europe. All of those have called for investment in the plant. There is a demand down turn to a degree in Europe, especially in the OHT space. That may have an impact on short term but on the other side we are seeing very robust demand in exports in our two and three wheeler range that continues to grow. So, on the whole what we see in terms of demand even in the domestic market, we are now beginning to see some of the first signs of growth. You see in the Q1 of the current year, the domestic sales of 2-3 wheelers grew by a little over 10%. It is still less than the FY-19 period but that growth is coming about. Further, in the festive season we see some of that is picking up again. We have a strong market share in the EV space. We are placed with the main players in the EV scooters segment. The main segment that is growing in EV, in the two wheeler segment, is the scooter business, and we are strongly positioned, at least at the same level as we have the market share in the ICE engine space. At a very broad levels in terms of the break-up of our sales, depending on what is the level at which the market operates, roughly speaking, OE is anyway in the region of around 40-50%. The after-market would be around 30-40%, and exports all put together, would be in the region of 20%. Mr. Garg's questions, the M.D. has answered. Specifically, while we may not be able to disclose the precise numbers in terms of the outlook for the year, in terms of either the top line or the margin, if you see the Q1, we had seen the EBITA margin and Operating margin of close to 9%. We are definitely targeting a double digit and over as we move ahead.*

**M.D.:** After market initiatives, Rohit has asked, are we planning any more initiatives?

**Arvind:** Yes. In terms of the after-market, while the most visible initiative of the after-market for our brand is we see the tie-up that we have with CSK in IPL, we are also doing in terms of the work on the ground in terms of expanding both our reach in terms of the number of retail outlets that we service, geographically in terms of looking at the white spaces that are available for us to grow. So, a lot of those initiatives are in a sense behind the scene, which follow from the more in your face initiatives, which is something like the CSK tie-up that we have. Yes, so we have answered the question on.

**Chairman:** Regarding the question on sensing solution we should say that the Company's Sensing solution space and sensing solutions are placed in an exciting growing area which is to provide sensors to many of the e-Vehicles for two wheeler and four wheeler, that are coming onto the Indian roads and Indian markets. So, the growth trajectory of the Company is expected to be on similar line, if not even better than what we have seen. Like any other business we have competition too, but we believe that we are placed in a very good position to grow in that industry. That is, I think all. Thank you

**Company Secretary:** Thank you, Sir. Thank you, Ma'am. Two more announcements on voting. The e- voting window will remain open for another 15 minutes from the conclusion of this meeting for the benefit of the members to vote. The results of the voting will be announced on the stock exchanges and will be placed on the website of the Company within 48 hours from the conclusion of this meeting. Thank you.

**Chairman:** So with this, now the meeting comes to an end, and I would request the CFO to propose a vote of thanks.

**CFO:** In these uncertain times and these unpredictable times with the extraordinary personal casualties due to global events during the first half of this year, which is since January, it reinforces the necessity to do things differently. The Company is taking all the efforts to raise up to challenges that it is face with. I take this opportunity to thank all the shareholders for making it to this event virtually to share your views. We appreciate the continued trust your pose in us. We will continue to work to improve your value. I thank all the Directors for providing timely guidance and support, drawing up on the huge experience, to steer the Company to current uncharted territories. It is impossible to achieve what we did without the unstinted involvement and commitment of all the employees. We take this opportunity to thank our bankers, SBI, HDFC, and Axis, to continuously support us. It is our duty to thank our auditors; the statutory auditors, the internal auditors, who have been monitoring our compliances. I thank the Government agencies both at Centre and various state governments for their support. Finally, we thank our customers and our suppliers who are the backbone of our existence and performance. Best wishes to all of you. Thank you.