



TVS Electronics Limited
Q3 and 9-months FY'25 Earnings Conference Call
February 17, 2024

Moderator: Good day, Ladies and gentlemen. Welcome to the TVS Electronics Limited Q3 and 9-months FY'25 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nupur Jainkunia from Valorem Advisors. Thank you, and over to you Ma'am.

Nupur Jainkunia: Thank you. Good evening everyone, and a very warm welcome to you all. My name is Nupur Jainkunia from Valorem Advisors. We represent the Investors Relations of TVS Electronics Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's Earnings Call for the 3rd Quarter and 9-months of the Financial Year 2025.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature, such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by the information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the Management participating with us in today's Earnings Call and hand it over to them for Opening Remarks. We have with us Mrs. Srilalitha Gopal – Managing Director; and Mr. A K. Vadivelu -Chief Financial Officer. Without any further delay, I request Mrs. Srilalitha Gopal to start with her opening remarks.

Thank you and over to you, Ma'am.

Srilalitha Gopal: Thank you Nupur. I would like to know if there are any new attendees on the call as compared to the last earnings call. Is there something that you can tell me, Nupur? I will



assume that there could be, there may not be. Let me continue. For those who are joining us for the first time, I will take you through a background of who we are.

TVS Electronics or TVSE as it is popularly known was incorporated in 1986 under the leadership of Mr. Gopal Srinivasan, a member of the illustrious TVS family. We are headquartered in Chennai and have a state-of-the-art manufacturing plant located at Tumakuru, Karnataka. Our vision is to be an integrated electronic solutions provider for B2B customers.

The overall performance of the company is reviewed under 2 business units, Products and Solutions Group and Customer Support Services. In the Products and Solutions Group, we aspire to be a single point solutions provider. The two offerings that we have are point of transaction products and integrated solutions. Our point of transaction products mainly consist of input devices, computing devices, validation devices and output devices. Under integrated solutions, we offer our own software solution TVSE Pay for retail customers and also have a set of solutions to our partner ecosystem. These include hardware ecosystems based out of Taiwan, Korea and China. Software ecosystems mainly consist of Royal POS, SnapBizz and Vyapar and the third is analytics ecosystem which we are building. While we cannot share any forward-looking numbers, we would like to share the addressable market size as we currently assess is around 2000 crores of which our market share is about 18 to 20%. This segment of our business contributes almost 70% to our revenues. The Customer Support Services business unit, we aspire to be the first choice after sales service partner. Our focus is on field support services, infra managed services, O&M services and electronic manufacturing services.

The field support services caters to the IT and IT peripherals that predominantly covers 15,000 postal codes, 2400 field agents. The large customers like Dell, HP, and others, we provide break/fix and maintenance services. Under field support services, we also cater to the banking sector where some of the large banks and financial services companies have break/fix arrangements with us for their EDC terminals.

Under customer support services, we also have identified the following growth areas for TVSE. The first is the Infra Managed Services for IT and IT peripherals. The second is the operations and maintenance for solar followed by the Electronic Manufacturing Services. The broad serviceable market for field support services is about 500 crores. Infra-Managed Services is about 4,500 crores and the Operations and Maintenance Services, O&M, is 350 crores. So, we are looking at an addressable market of about 5,350 crores for the entity in total.

In the EMS, we mainly would like to address box-build opportunities, exploring the Make-In-India opportunities with our tech partners. We are confident that the new areas identified of growth will place TVSE in a good position for the coming decade.



I would like to ask our CFO of TVS Electronics, Mr. A. K. Velu to now provide key financial and operational highlights for the quarter under review.

A. K. Velu:

Thank you, ma'am. Good afternoon, everyone, and welcome to this Earnings Concall. Let me first brief you on the financial performance for the period under review. For the 3rd quarter of the financial year 2025, the consolidated revenue from operations stood at around 100 crores, which increased by 15% year-on-year. EBITDA for the quarter was around 3 crores, representing a significant increase year-on-year, and net loss was reported at approximately 70 lakhs, which has also reduced on both year-on-year and quarter-on-quarter basis. For the 9 months ended financial year 2025, the consolidated revenue from operations stood at around 316 crores, which increased by approximately 17% year-on-year. EBITDA for the 9 months was around 9 crores, representing a growth of 27% year-on-year, and the net loss was reported at approximately 3 crores. For the third quarter under review, the products and solutions vertical generated a revenue of 69 crores, representing a growth of 10% year-on-year, while the segment registered a year-on-year growth of 16% for 9 months period. The increase in revenue in the Products and Solutions vertical attributed to the increase in businesses with the government and BFSI customers. For the retail segment, where we are expanding our reach as a single point solution provider also contributed to an increase in revenue.

The customer support service vertical generated a revenue of 31 crores in Q3 FY25, representing an increase of 28% year-on-year growth. The segment registered a year-on-year growth of 21% for the 9-month period. The increase in revenue in the customer support vertical is attributable to an increase in the volume from existing customers and addition of few new businesses. With this, we can now open the floor for the questions and answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and "2". Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. We have the first question from the line of Ashok B. Jain from Ayush Capital. Please go ahead.

Ashok B. Jain:

I just had one question. You had indicated in your earlier presentation that the Phase-1 of the newly inducted surface mount lines, the SMT, the Phase-1 is going to be used for captive consumption. So I was wondering when we use our own PCB assemblies and box-built solutions for captive consumption, how much EBITDA do we presume to increase in our products and solutions category? Thank you.



- A. K. Velu:** I would just like to clarify. One of the purposes to use the SMT line for internal captive purposes. The main purpose is to generate business from external third-party customers. Currently, we are using the line mainly for our internal captive consumption.
- Ashok B. Jain:** It is already in use for captive?
- A. K. Velu:** Yes, it is already in use for captive.
- Ashok B. Jain:** Okay.
- A. K. Velu:** From EBITDA perspective, we expect in the short run it may not have much impact as it is all newly started and there will be another recovery of cost. But over a period of time, we expect at least 1% to 2% improvement in EBITDA through these initiatives for the internal consumption, captive consumption.
- Ashok B. Jain:** Okay and have we found any external customers to begin with?
- A. K. Velu:** As we already mentioned, we are working on it. As and when the onboarding happens, we will announce to the common forum.
- Moderator:** Thank you. Participants, if you wish to ask questions, you may please press “*” and “1”. We have the next question from the line of Zakir Naseer, an individual investor. Please go ahead.
- Zakir Naseer:** Good afternoon, ma'am and sir. Although we see increased use of all the products TVS makes, what is your view on the cheap imports available and the government action on promoting Make in India? Do you see it happen on the ground?
- Srilalitha Gopal:** Good evening, Mr. Naseer. What exactly – can you just please re-clarify your question?
- Zakir Naseer:** Ma'am, the point-of-sale products, whatever segment we are into, I mean the use is increasing, but so is the availability of cheap imports. I mean, do you see import restrictions or promoting the Make in India initiative?
- Srilalitha Gopal:** I think the government has done a lot for Make in India initiative. A lot more needs to be done. The scenarios are slowly evolving, and we do certainly, like you rightly pointed out, see a lot of imports, finished goods from overseas, which are disrupting the market. So I think the industry as a whole and the government needs to work together to see how to further ensure that the PLI or the Make in India initiative succeeds. At this point of time, it's evolving, is what I would say, Mr. Naseer.
- Moderator:** Thank you. Participants, you may press “*” and “1” to ask a question. We have the next question from the line of Manan Patel, an individual investor. Please go ahead.



Manan Patel: So my first question is regarding the EMS business. So have we shortlisted the sectors that we want to target and any certifications that we need are in place? So can you give some update on that? I understand there is no business as of now, but can you give some qualitative update on the kind of sectors that we are targeting?

Srilalitha Gopal: As regards the EMS business, yes, as we have mentioned earlier also, we would like to work in the automotive and the industrial electronics segment for which we need the IATS certification. Work on that is going on, and we should be certified in a couple of quarters max because that needs some kind of preparation.

Manan Patel: Okay. So is it safe to presume that for at least a couple of quarters till the certification is in place, we have to only use the SMT line for captive purposes or there are other sectors also that we can do? I understand IATF is for largely automotive. So any other sectors that we are planning to address in the meanwhile?

Srilalitha Gopal: The industrial electronics is very much on the cards, and if our customers or other partners, ODM partners, which are based overseas, which are out of India, if they decide to give us business, the SMT line can definitely be used for that purpose.

Manan Patel: Okay and, ma'am, you mentioned that you are looking for opportunities to tie up with technology partners. So how do we think about that part?

Srilalitha Gopal: The technology partners are all our ODM partners, Mr. Patel, and that effort is already on. I am not sure what else did you mean by technology partners. Did you have anything specific which I can help you with?

Manan Patel: No, as in to bring in any technology that we can use for manufacturing for other customers in that sense, not for the business itself.

Srilalitha Gopal: No, so the technology for that will be provided by the customer whom we sign up with, right? We cannot have our own technology. If you are manufacturing for somebody, they will have to help us with the tech transfer and as and when we have a really big customer or a good tech customer that will happen.

Manan Patel: Understood. On the product side, ma'am, you mentioned 2000 crore market share. So would you have any idea how fast that market is growing and how are we increasing the market share?

Srilalitha Gopal: My understanding is the market is growing at about 8 to 10 percent. Last year and year before were particularly different, difficult market years. But I think overall it is about 8 to 10 percent of the growth that has been attributed to the segment, Mr. Patel.



Moderator: Thank you. Ladies and gentlemen, if you wish to ask questions, you may please press “*” and “1” on your touch-tone telephones. We have the next question from the line of Abhijit Periwal from APSEC. Please go ahead.

Abhijit Periwal: So this is regarding the EMS once again. There was a recent newspaper report that said that down the line, it quoted I think the officials of the company also, that down the line you would be looking at 5-6 SMT lines and that half the turnover should come from this particular sector. If you could throw some light as to if there is a path for how many years do you expect to get to that level and also, are you, ma'am, satisfied with the progress of the EMS division as to how things are going? We started, I think, the division somewhere in 1st of April. So is the work happening as per your satisfaction and any further qualitative aspects that you can share?

Srilalitha Gopal: I think what I would like to say is definitely satisfied with the way the EMS is progressing and as and when the growth happens, the additional lines will come. At this point of time, I think it is purely subject to the growth of the business and as the business grows, I think we should be in a position to add the lines as required.

Abhijit Periwal: But do you see, say, 5, 6 lines in the next 3 years or two years, anything? I think it could be more of an aim rather than a forward-looking statement as to what would be your aim over the next 2 years.

Srilalitha Gopal: The aim remains the same, whatever we have committed. Not sure whether 5 years, 3 years or a few quarters. Actually, to be honest, it is very difficult to predict. The line can be set up really quickly. If the business grows really fast, those number of lines can come fast. If the business does not come in, those lines in 3 years also will not make any meaning.

Abhijit Periwal: Okay and like you just said, along with the fact that the auto part, there were certain certifications required. Earlier it was mentioned that most of it was coming in December. I think that was mentioned in the last call. What I currently understand, you said that they could take some more quarters. Is there anything in between which has happened, which has led to the revision in the timelines?

Srilalitha Gopal: No, I think it is just the certification is a process and the IAT certification is something that we are doing for the first time. So obviously the auditors, the team is very particular that we get it right the first time around and hence, the certification process has taken a little longer than what we expected.

Abhijit Periwal: Okay and the consumer electronics part, sorry, industrial electronics or consumer electronics, you mentioned one more.



Srilalitha Gopal: Industrial electronics, yes. Industrial electronics which is what we already are in our capital consumption. If you notice, all the equipment goes into the industrial electronics category.

Abhijit Periwal: True. So there you are looking to tie up with some foreign guys, that is where some Southeast Asia or something, that is the expectation that you are expecting from clients on that side? Or that is more of local?

Srilalitha Gopal: Correct. No, all that is from outside. But the people, our ODMs have to decide to invest in India. I think that all depends on the previous question, which one of our participants also asked on the success of Make in India and the PLI schemes. They are all sort of related and those have to be attractive for our ODMs to come and invest in India at a big time. And same goes for our partners too.

Abhijit Periwal: Oh, that would be good then in case they think of Making India. So then we get more.

Srilalitha Gopal: True. I think the whole industry is hoping that there is a lot of the market, manufacturing market in India will be really good.

Abhijit Periwal: Great. True. And, ma'am, for, say, 5, 6 lines, whenever it happens, would you be looking more at internal accruals or are you looking loans or fresh? I think a similar question I had asked last time also. If there is more idea on that side.

Srilalitha Gopal: No, the answer is the same. I think we answered you in detail last time this very well.

Abhijit Periwal: Okay. As in when it happened.

Srilalitha Gopal: Sorry.

Abhijit Periwal: That is fine and, ma'am, point of sale side, I think there were a lot of efforts happening on the organized retail direction, where I think Trent and all these guys are also our clients. Any light you can put on that side as to whether the unorganized one, the distributor part is growing or this retail specific one is growing fast and how many new clients are we able to get some sort of more idea?

Srilalitha Gopal: It is very well there. As you must have realized, the retail sector has been very, very, the growth has been very slow, and it has been quite a dampener as regards to that. So we are actually waiting and watching as to how this will pan out.

Abhijit Periwal: But as I also see, ma'am, that the quick commerce side has done extremely well, and we have AIDC products, so the bar code and all those things. So do we see traction at our end due to that or that's something?



- Srilalitha Gopal:** Yeah, AIDC has been a new entrant. We have been a new entrant to AIDC. That is why we are concerned that's a new initiative, and it has to sort of as a new entrant all the entry barriers which we face, we continue to face. So we are working on that, and hopefully you will see how the traction transforms.
- Abhijit Perival:** And, ma'am, it has been mentioned on the product side. So in the government side, which you're saying these are the more of printer sales that are doing very well, it has been mentioned in that note, the presentation. The smaller printers which are doing well?
- Srilalitha Gopal:** That's right, the mobile printers.
- Abhijit Perival:** Yes, the one with fingerprints and all that. That is where the traction is?
- Srilalitha Gopal:** Yes, that is where the traction is, because if you notice the Department of Post was one big customer, a couple of others who are looking at taking the print or the business to the last mile into much more of the heart of India, that is where the mobile printers are being used and commissioned and that is where the use case has increased.
- Abhijit Perival:** So over and above the Department of Post, any other place where you think they will be used on the line?
- Srilalitha Gopal:** All depends on how the government rolls out these initiatives, Mr. Perival.
- Abhijit Perival:** Okay.
- Srilalitha Gopal:** Without commenting on the way the government works, the hope that they will digitize soon and quickly. But every time there is an election, if there is something, these projects keep getting delayed. So we really do not have a real-time understanding of how these things work at this point.
- Abhijit Perival:** Okay. And lastly, ma'am, on the Infra Managed Services and the solar part, if you can throw more light as to how the number of megawatts under O&M which have gone up or any consultancy work, and also in Infra Managed over and above the earlier clients, if some more clients have been added.
- Srilalitha Gopal:** So the clients remain the same as far as the O&M service is concerned. Tata Power is a big customer for us and as they grow, we will grow to them. Yes, we have added a few more megawatts, and I think we hope to end the year with about 800 to 900 megawatts under management, and it will consistently grow on that side. On the IMF side, we are yet to crack any big customers, and when that happens, you will definitely hear from us.
- Abhijit Perival:** Ma'am, when you say 800 megawatts is under your O&M, how big is the revenue? Because it looks huge, 800 megawatts.



- Srilalitha Gopal:** The revenue is very small. 800 megawatts is no connotation with the revenue. The revenue is the service part, Mr. Periwal. We have got nothing else to do other than maintenance and management, which will be a small part of that. The megawatts means the installation sizes.
- Abhijit Periwal:** True.
- Srilalitha Gopal:** You can have rooftop, you can have all of that. So each installation size is 100 megawatts, 50 megawatts, 200 megawatts. Accumulation of that is what it is. But the service revenue from that has no relation to the size of the installation. No relation, as in it is not as large as the number that you seem to be thinking.
- Abhijit Periwal:** Okay, yes, true. I thought 140 megawatts to 800 sounded like there was a quantum jump.
- Moderator:** Thank you. Ladies and gentlemen, to ask a question, you may please press “*” and “1”. The next question is from the line of Ashok B. Jain from Ayush Capital. Please go ahead.
- Ashok B. Jain:** Yeah, in auto electronics from the EMS side, what sort of products are we specifically looking at contract manufacturing and is the EV transition going to help us for entering into the newer categories of products that will come up specifically on the EV side?
- Srilalitha Gopal:** Mr. Jain, in auto electronics, we are looking at accessories that go into the automotive segment. Obviously, the main and the other electronics are already taken care of by the OEM. This is an exploration. We are also looking at working with people who give us subcontracting, smaller components on the accessories side. EV will definitely help this initiative.
- Ashok B. Jain:** Okay. What sort of accessories, ma'am, specifically?
- Srilalitha Gopal:** We are exploring, Mr. Jain. I cannot give you any specific answers at this point in time.
- Ashok B. Jain:** Okay. So you are also looking at supplying to within the TVS group because they seem to be making giant strides on the EV side of things.
- Srilalitha Gopal:** Again, I am not at liberty to talk about those things because anything that we work with would be a violation of our agreements with them.
- Moderator:** Thank you. Participants, you may press “*” and “1” to ask a question. We have the next question from the line of Manan Patel, an individual investor. Please go ahead.
- Manan Patel:** So the question is on the margins. So there is slight improvement in the gross margins, but the EBITDA margins are pretty low, and it barely covers. It does not even cover the depreciation. So I wanted to understand what is the timeframe do we look at in terms of breaking even at the EBT level? So is it like next one year, two years? How do we think about breaking even at the EBT level?



A. K. Velu: That is a good question, Manan Patel. I think as you have seen, the revenue is already growing at 15% to 17%, okay, and we continue to manage our cost slightly with various initiatives and already you see the EBITDA is at 3% and as explained in the earlier calls, we are continuing to invest 2% to 3% of our revenue in growth initiatives like EMS and R&D. So in the short term, as we continue to invest, we are seeing that at the bottom EBT level, there is a negative margin. However, we expect like in the future, this investment of 2% to 3% expected to contribute for growth much bigger than what we are growing 15% and expected to result in a positive margin at the bottom line.

Manan Patel: Okay and in terms of employee costs, so we are at around 19 crores per quarter right now in December quarter. So do you think this is the base number or this should keep growing in the next 2 quarters? It will stay stable.

A. K. Velu: These are major initiatives. We have already made investments towards employee costs with hiring all the business heads and business team and the operations team required to run the factory and everything. But as the business grows, you will require the operational team to add it up and proportion to the growth in business and we have to continue to invest in business development. So these 2 we will continue to invest as the business grows.

Manan Patel: But sir that will be in line with the top line growth or it will initially at least for a few quarters will increase disproportionately and then maybe stabilize down the line?

A. K. Velu: Yeah, initially it will increase a little faster, but I think it will stabilize as the revenue grows a little faster than for the revenue growth of all the new initiatives.

Manan Patel: Got it. So last, more of a comment than a feedback. So Ma'am most of the investors are waiting for this company to grow exponentially and in the kind of field that we are, all of our listed peers are growing at a breakneck speed. So we also want this company, TVS Electronics also to grow at that speed. So it would be great over the next maybe couple of calls, you could sort of indicate directionally what kind of speed we can expect from a company like us. And like we have a very good vintage, very good brand, very good balance sheet, everything looks pretty good, but the delivery on growth is sort of missing and we have been taking initiatives, but it would be great if we can give some comment in terms of what kind of growth can we expect in a few quarters so that we know what milestones to track. Otherwise at this point we are just sort of in the dark and we do not know what will happen in the next quarter also or maybe in the next few years. While we are not short-term investors, we might be looking 3 to 5 years out, but it would be great to have some milestones to sort of track the company also. So that is just a comment from my side and thank you. Please keep doing this, Paul. It's helpful. Thanks a lot.

Srilalitha Gopal: Thank you and appreciate the suggestion. Definitely we will work on this note for the investor call.



Moderator: Thank you. Ladies and gentlemen, you may press “*” and “1” if you wish to ask questions. Participants who wish to ask questions may please press “*” and “1” at this time. We have the next question from the line of Abhijit Perival from APSEC. Please go ahead.

Abhijit Perival: Thanks once again. Just continuing with what Manan just mentioned, ma'am. Ma'am, as a general feedback from the stock market side, I reiterate that if there is more elaborate, what do you say, communication from the company, be it in terms of aims, be it in terms of one-on-one conversation, the investor interest in terms of where the company is going, considering the pedigree, considering the initiative, considering the new guys whom you have taken, everything will actually, as stock market investors, we need more feedback from you all. So in case, more particulars in terms of numbers. I understand qualitatively one is saying, but more in terms of numbers and exact things that, okay, maybe in this year we might add R: customers. We are actively talking to them. Something of that sort can be done. It will be highly appreciated.

Srilalitha Gopal: Thanks, Mr. Perival, and I think you have been very early also very interactive and you have given a very constructive feedback. I take it from you. I take it from Mr. Patel and all of that. And I think we will come back to you at the right time. I do not think there is any point in jumping up and talking about things before those are ready. I know the investor community is frustrated. I know the investor community thinks we are keeping them in the dark. Maybe not on purpose, but that is a policy which the company is following. We will find the right time and engage a little more if that makes sense at the right time. But I think for now, I would definitely request patience from the community. I know it is tough, but it is the only thing I can mention at this point in time.

Abhijit Perival: Sure, ma'am. Sure. I appreciate that. Thanks.

Moderator: Thank you. Participants, to ask a question, you may press “*” and “1”. Ladies and gentlemen, if you wish to ask questions, you may press “*” and “1”. We have no further questions at this time. I would now like to hand the conference over to the management from TVS Electronics Limited for closing remarks. Over to you.

Srilalitha Gopal: Thank you all for participating in this earnings call. It really was very illuminating. I hope we were able to answer some of your questions satisfactorily and give a little more insight into our business. If you have any further questions or would like to know more about us, please do reach out to Valorem Advisors. We will work with them to satisfy your answers. Looking forward to having this call again next quarter. All the very best.

Moderator: On behalf of TVS Electronics Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.