

TVS SRICHAKRA LIMITED
41ST ANNUAL GENERAL MEETING
Thursday, 12th September 2024 at 11.00 AM

Company Secretary - Good Morning, Ladies and Gentlemen. On behalf of the Board of Directors of TVS Srichakra Limited, I, Chinmoy Patnaik, Company Secretary, welcome you to the 41st Annual General Meeting ("AGM").

Thank you for your participation.

Before we proceed with the agenda, I would like to confirm that the quorum is present and all formalities regarding the notice containing this meeting are complied with.

The notice contains 4 agenda items seeking shareholders' approval.

The first item is approval of the audited annual financial statement of the company, then, declaration of dividend, reappointment of Mr. S. Ravichandran as Director and approval of the remuneration payable to the cost auditor.

The notice along with the annual report have been circulated to all the shareholders. The next part is regarding the e-voting process. The window for e-voting is open and will continue to remain open for another 15 minutes post the conclusion of this AGM, for the members to cast their vote. The results of the voting will be announced to the Stock exchanges within 2 working days.

Thank you for your attention.

I would like to further inform you that the Mr. R Naresh, Vice Chairman is unable to attend this meeting. Therefore, according to article 10 (J) of Articles of Association of the company, I request the board to elect one among them to chair this meeting.

Mr. S. Ravichandran, Director - I propose the Managing Director chair the Annual General Meeting. Thank you.

Company Secretary - Thank you.

Mr. P Srinivasavaradhan, Director - I second that.

Company Secretary - Thank you.

Company Secretary - The Managing Director is unanimously elected to act as the Chairperson for this meeting and conduct proceedings.

Managing Director - Thank you.

Managing Director - Welcome you all again.

The quorum is present as said by the Secretary and I declare the meeting open.

I confirm that the directors of the company are present at this meeting, except for Mr. Piyush, who is absent due to an exigency requiring his attention.

The statutory auditors, secretarial auditor, scrutinizer, chief operating officer, chief financial officer, and the company secretary are present. The meeting is conducted through video conferencing mode without the physical presence of the members at a common venue and in compliance with the applicable provisions of the Companies Act and SEBI (LODR) Regulations 2015, the relevant circulars issued by the Ministry of Corporate Affairs and SEBI. The proceedings of this meeting shall be deemed to have been conducted at the registered office of the Company.

To avoid disruptions, all members joining the meeting are muted by default.

During the questions and answer session, the Company secretary will call upon each member speaker individually, after which the moderator will unmute them to allow them to speak. The speakers are requested to introduce themselves by mentioning their names, client IDs, folio number before raising their questions. Requisite steps have been taken to ensure that all stakeholders participating in the AGM through video conference have a seamless experience and are also able to vote on each item of business proposed in the notice of AGM. The notice convening this meeting has been circulated by email and is on the Company's website and with your permission, the notice may be taken as read.

The statutory auditors report and secretarial audit report are unqualified and unmodified. Therefore, the same are not required to be read out at this AGM in terms of applicable provisions of Companies Act, 2013.

Chairperson Speech

Good morning to you all once again. It gives me great pleasure to extend a warm welcome to the Annual General Meeting of your company. Your continued support for the company is truly appreciated.

As has been done over the past Four years, this AGM is being conducted on a digital platform. We have spoken in the last few AGMs of the turmoil that the global economy has faced from the onset of COVID in 2020. Indications are that we are on a path to recovery. However, geopolitical tensions have cast a shadow on this fledgling recovery. The World Bank and IMF both forecast global growth to be in the region of 2.5% to 3% right through 2026. Inflation is inching down but not enough to have resulted in a cut in interest rates.

Amid challenging external conditions, the World Bank expects India's medium-term outlook to remain positive. Growth is forecast to reach 7% in FY 24/25 and remain strong in 25/26 and also in FY 26/27. Inflation is expected to remain in the 4 to 4.5 % region throughout FY 25. Food inflation remains a worry though, as does inflation caused by crude oil prices remaining at elevated levels.

The board of directors continues to monitor the environment in which we operate. While the focus is on mitigating risk, the company continues to see growth opportunities both domestic as well as global.

FY 23/24 saw an easing in raw material costs. This, along with the internal measures adopted by your company, saw an increase in profitability. Overall, your company saw standalone PBT rising from INR 91 crores to INR 139 crores, continued leadership in the OE segment led by penetration into the emerging EV segment, consolidation of the 2 and 3-wheeler aftermarket business, expansion of product range in the OHT business targeting global customers and sharp increase in global sales in the 2 and 3-wheeler segment.

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The year gone by also saw the company acquiring a company in the USA, Supergroup Corporation. Supergroup is specialized in the OHT segment and represents your company's desire to grow its global OHT presence. Continuing with its record of rewarding shareholders, the board has recommended a final dividend of rupees 47.34 per share, up from 32.05 per share the previous year.

Looking at the year under progress, FY 24/25, we see some near-term challenges. Raw material costs have increased by over 15% in a 3-month period. Such a sharp and sudden increase in costs has a short-term impact on profitability margins. Your company is mitigating this cost increase by a mix of actions, including an increase in the selling price of its products. These actions, I hope, should have a positive impact on the margins in the months ahead. Demand remains strong. We are entering the festive season, and our OEM customers are projecting a healthy increase on a year-on-year basis in sales of 2 or 3 dealers. We continue to show strong growth in our global 2 or 3 dealer business, and the new products developed in the OHT segment are now showing traction, and we are seeing a steady rise in demand in this segment.

Looking at the industry in which we operate, the global tyre market was valued at about USD 232 billion in 2023 and is expected to grow at over 4% CAGR over the 5-year period between 2024 and 2029. While the overall outlook is positive, the depressed global economy, volatile raw material prices, and geopolitical uncertainties are the major challenges that the industry faces. Growth in the Indian tyre industry is expected to outpace global growth. FY 25 should see a growth of about 5 to 6%.

The midterm forecast over the next 5 years is for growth to be closer to the 7% per annum mark. Structurally, growing penetration of EVs, especially the 2 and 3-wheeler space, will drive the adoption of technology best suited to deliver the tyres that this segment demands. Your company is well positioned to cater to this segment.

At Srichakra, we believe that our success is intrinsically linked to our commitment to sustainability and corporate responsibility. We will continue to take significant steps to reduce our environmental footprint.

I'm sure you would be happy to know that our Madurai plant sources 75% of its energy from renewable sources. We are also proud of our contribution to the community communities we operate in. Our initiatives in education, health care and environmental conservation have made a positive impact, and we remain committed to driving meaningful change in these areas.

I would like to take this opportunity to thank all customers and suppliers for their unstinted support and actively contributing to our success. We also thank our bankers and other financial institutions, the Government of India, and their respective State Governments. Finally, we at TVS Srichakra remain ever committed and sincere in our efforts to keep delivering better value to you, our shareholders.

Thank you.

The question & answer sessions will start now. We have already received queries from members. We will consolidate them with the queries raised by registered speakers, and then we'll at the end of all the queries, we'll respond. We request the members to restrict themselves to 5 minutes each. The company secretary will call out the names of the registered speakers.

Thank you.

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Company Secretary - I request the moderator to unmute the member whose name I call out.

Mr. Sanjay Chunilal Shah and Ms. Shilpa Sanjay Shah.

Mr. Sanjay Shah - I hope I'm audible.

Moderator - Yes. Yes, you are.

Mr. Sanjay Shah - Yeah. Thank you, ma'am, for the opportunity. Ma'am, at the outset, we would like to express our appreciation for the detailed management discussion in the annual report 23/24.

The clarity and depth of the information provided has given us a comprehensive understanding of the company's current state status and the management's strategic effort towards further growth. The dedication of the team across various areas of business is evident, and we commend these efforts. At the ma'am, we kindly request you to respond to the following queries. Your insights would really be invaluable in assisting us with the analysis.

My questions are, First, ma'am, can you please highlight capital allocation as to what CapEx we have done in past 2 years and what advantage we have received today and also highlight upon future CapEx program?

Number two, what is the current market scenario for all our range of tyres in India, Asian countries, Europe, and USA?

Third, sir, ma'am, on OHT side, about what is our current total capacity to produce OHT value in value in terms of tons, if possible. We have developed 73 products for global sales to grow stronger penetration in the EU market and in US through Supergrip Corporation. Could you provide an update on the progress made and the prospects for the near future in the OHT segment?

Ma'am, our company has done remarkable progress in all fronts, improving networking penetration in many different countries, and new products offerings for electric vehicles, high performance adventure touring segment, (inaudible), and many more. Ma'am, can we expect margin improvement for our consolidated turnover year on?

Ma'am, can we expect, if possible, if you can highlight EBITDA terms, can we expect improvement on EBITDA from here on?

I have 2 balance sheet related questions.

One was, could you please elaborate on the anticipated impact of ERP expenses and near future and the management's approach to address the same?

And the last one is - could you please explain why other expenses, particularly for travel, consultancy, and warranty claims have been increasing over the past 2 years.

Thanks for the opportunity and thanks for giving me an opportunity.

Thank you, ma'am.

Company Secretary - Next is Mr. Bharat Raj and Ms. Elija Devi from Hyderabad.

Moderator -Sir, Mr. Bharat Raj is not joined. We can move on to the next speaker.

Company Secretary - Okay. Mr. Rohith Prakash from Kerala.

Moderator – Mr. Rohith, you can unmute yourself and you can switch on your video. You can proceed.

Mr. Rohith Prakash - Thank you for the opportunity, sir, ma'am. My bandwidth might be low, so I'll keep the video off.

This is my third AGM with TVS Srichakra. I'm a long-term shareholder, and I hope to remain so, for the next few like, many years as well.

I have a few questions. First, a few facts related to the questions. I mean, over the last few years, our major focus has been the aftermarket, through our own brand Euro Grip, 2-wheeler exports and OHT.

So, the only way I can figure out, I mean, in my head, the measure to figure out if the strategy is working is to understand the year-on-year growth. And if the year-on-year growth in each of the segments is more than the market growth, that means we are gaining market share. So, it will help if you can help share the aftermarket growth year on year, the OHT revenue growth year on year, and the 2-wheeler exports growth year on year.

And this year, what is the composition of revenues in terms of O E aftermarket and exports? Given global I mean, we're launching a lot of products in Europe, and we have acquired the Supergroup in the US. I would appreciate some commentary on the global competitive intensity in each of these segments. Do we I mean, we have energy costs being very high in Europe and, a lot of industries there have become weak. So do we see intensity at least local competitive, call local competitive intensity reducing and some commentary on that would be helpful.

We mentioned EV we made in roads. So, do we have as strong a market share in EV as we have in petrol? And what is, how is the unit price per EV tyre comparable to a petrol 2-wheeler tyre? And what is the replacement cycle of an EV tyre versus a petrol 2-wheeler tyre? The capacity utilization of 2-wheeler and OHT capacities that we have right now is my next question. What, we announced a thousand cool CapEx in December 2020. Where are we right now, and what is the CapEx for this year and the next year?

Next one, Supergrip, I would appreciate some more commentary. What is the strategy there? I'm and I believe we'll be using the brand Super Grip, but are we manufacturing from here? Do we intend to set up a facility in Mexico or something for me assuring? It will help to understand the strategy on Super Grip and the 2 subsidiaries that we have, so TVS Sensing Solutions, we historically have seen last very fast growth there. But last year, it was 13% while still good, but what's happening there? What is a long-term plan there? Where do you see that business scaling up over the next 5 years?

And, similarly, on fiber optic sensing, they'll, I mean, on there's more than a 15% loss. I believe it's more a scale up business right now. But what is similar? What is a 5-year plan there? What are we hoping to achieve here?

That's it from me, ma'am.

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Thank you so much for your time.

Company Secretary - Thank you. So next, Mr. P. Gopal from Chennai.

Moderator - Sir, Mr. Gopal is not joined.

So, we have only 2 speakers as of now, Mr. Sanjay & Mr. Rohith and they both are only joined, so we can move ahead with as no other speaker shareholder has joined right now.

Company Secretary - Okay. No. I'll start for the 2. Okay.

Managing Director - First question on capital allocation. Can you talk about this from both? 2020 to where we are today.

Yeah.

Please go ahead.

COO - So, I'm the COO of the organization. I'll take up some of the business queries that were raised.

There is a query, from both speakers on our global footprint. Our 2-wheeler exports have been growing fairly exponentially, and the year gone by saw 2-wheeler exports rise by about 45%, which is similar to what we saw the year before, and that pace continues. So that's one way we are seeing significant traction.

OHT is one where our existing exports come from the facilities that we had prior to the expansion, and that had kept on capacity. The investments that we made in the new plant have, for the first few months, had been working on new product development and those new products are now on the market and are gaining traction. So, we are while the last couple of years may have seen somewhat flat levels in the OHT, but that's to do with the fact that the new capacities were being used for product development, which is so we should see that taking shape now.

There was a question about how we have seen how the Eurogrip brand has seen growth in, across segments and especially the ones where directly, it impacts the market. So, in all cases, we are seeing growth. Our aftermarket shares have grown.

So, if you see over a period of time while, while these are markets where there are no really reported numbers from a third party. So, these are estimates that we make from the market. Over the 3 years or about the 3-to-4-year period, our market share in the aftermarket has risen, from 15 to 16% to roughly 19 to 20%.

I spoke about the exports. In the case of exports, of course, you can't talk of shares because the global markets are so large that we can't really represent the share. We can't really talk of the growth that we ourselves are seeing.

There were some questions around Supergrip. So Super grip in the US is a company which specializes in certain portions of the OHT business. Geographically, it's located in Tennessee and services some of the material handling based and construction and equipment, are industrial machinery-based kind of demand in that area. This is, you know, we took we took this company over, hopefully, in about October or November last year.

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And therefore, we are still in the process of putting a firm plan together. The early signs are that we see that there will be traction, by using Supergrip to not only address the markets that it currently does, but also other parts of the US, including some of the markets on the West Coast, which it traditionally hasn't expanded into.

Our request there was a question on the EV business. Our EV market shares are, in fact, at this point in time, higher than the market share that we have in the traditional ICE segment. And it is, you know, we see that as a strong inroad that we made in in into that segment, and we so that's clearly one of the areas of opportunity as, we move ahead.

There were some questions on our, on, this whole EPR regime which has come in. So, this EPR regime is something that kicked in last year, I think. And what it calls for, there is only one way in which an EPR obligation can be fulfilled, which is by buying EPR credits on a marketplace which is regulated by the industry of environment. Though to be honest, the industry is still settling down to understand what the, the final impact is, including the recoveries of any tax of this nature, which can be made in terms of pricing itself. So, it would be difficult to really put a firm answer to that because that is still something that is, in progress.

In terms of margin improvements, there were a couple of questions. One was overall margin improvement. We have seen we have gone by a CNABITDA margin across the 10% mark to about 10.5%. As, the chairman, said, in the address, there is a short-term impact that we are seeing of raw material prices. The industry is such that when the long-term price changes, we do see a short-term impact because the lag between move in short in raw material cost versus what you can do to offset that cost. There is a bit of a lag but that lag we have we're fairly confident of being able to counter that, with the actions that, that, we are looking at. I think that covers the question that we have.

Managing Director - Just a point to add to what Arvind said. I think Mr. Rohit asked a question, how competitive or how competitive intensity is there in Europe and other markets? I think, just as Arvind mentioned, there is the market is very, very large and products are what we had chosen and what we have placed in the market have been well accepted.

So, I would say, yes, there is competition, but I think, we are trying to because the volume that we are placing and from what India we can play is very, very small. We are confident that we would be able to utilize our entire tyre capacity and the investment that we have made. I think I would rather put it in these terms rather than saying it is very intense and, thereby, we are not able to play there.

I think now the CFO will answer all the others.

CFO - There was one question on the CapEx plan. We committed about 1,000 crores 5 years back. We had spent close to about (inaudible)50 crores over that, and bulk of it has gone into building capacities into (inaudible) and into capacities in (inaudible) to serve the northern markets. So that's where we are at this point. And going forward, we will be spending CapEx to the extent that is required to make sure that we keep up the balancing, of the requirements of the market and, to the extent that is required for growth.

Managing Director - The other question on other expenses, warranty claims, if you look at it as a percentage, the warranty claim has not gone up because of the product mix being different. Maybe the value has changed. We do not have any technology, joint venture, and because of that we use consultants to help us, you know, kind of develop the products and then place the products. So, we have a lot of consultants from Europe. We have a Europe office, so that is why the consultancy expenses are high higher compared to normal you know, company operating within India.

I think we have covered all.

Company Secretary - Yeah. Yeah.

Managing Director - We have covered the questions. If there is anything else, I'm sure, sorry two other questions on subsidiaries.

This sensing solution, the mod the sensing solution initially where it started as a switch you know, from a collaboration with Cherry to moving to different product lines. Now they are getting into products which should they are, how do you call it, into 2 wheelers and other space. Because there is a shift in the product line, now there has been a change in the value. So, you would again see the growth of sensing solution in the future going back to earlier times.

Then fiber optics, as was specifically mentioned by Mr. Rohith, is a startup. It is you know, to explain the concept and to win orders, it is taking a longer time than what was expected, but we are fairly confident that we would be able to, you know, the business will be able to grow significantly based on the current needs of the market.

Yeah. Yeah. I think since there are no other queries, we would declare the meeting is coming to an end, and I request the CFO to propose a vote of thanks.

CFO - Good afternoon to all.

These are uncertain, unpredictable times gaining global tension and monsoon cycle witnessed in several parts of India as a result of the extra ordinary (inaudible) and closing the necessary to do things from our side. Your company is taking all efforts to raise up to the challenges (inaudible).

I take this opportunity to thank all the shareholders who (inaudible) virtually share your views. We appreciate the continued trust you've posed in us. We will continue to work incessantly to improve your value.

I thank all the directors for providing timely guidance and support drawing upon their huge experience to steer the company through these uncharted territories. It's impossible to achieve what we did without the unstinted involvement and commitment of all the employees to whom we are immensely thankful.

We take this opportunity to thank our bankers, SBI, HDFC, Axis, ICICI, and HSBC for continually supporting us. We also thank our statutory auditors, internal auditors, and tax auditors who will be monitoring our continued compliances to various laws. I thank the government and the center and the state governments in various places for their support.

Finally, I thank our customers and vendors who form the backbone of our continual performance.

Our best wishes to all of you.

Moderator - Yeah. Thank you.

Board members - Thank you. Thank you all.