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Nirmala Sitharaman—Finance Minister



Looking beyond Covid

A successful transition

Amidst challenges, GCL transforms itself into a robust entity



Nagesh: scripting a success story

Greaves Cotton Ltd (GCL) has repositioned itself in the market with its new initiatives and businesses. The 160-year-old player, known primarily for its diesel engines for three-wheelers, has been successful in implementing a well-carved out strategy, which has paved the way for not only transforming this traditional company into an agile and robust entity to face the rapidly-changing market place more effectively, but also propel it into new growth trajectory, with a diversified offering. Backed by a new management thrust and strategy, the Mumbai-based company, known commonly as Greaves, has almost turned itself around in a short span of just three years.

GCL's diesel engine-heavy narrow-based portfolio was not only making it prone to market risks but also preventing it from exploring the opportunities emerging, due to various disruptions (e-mobility, shift towards cleaner fuels, implementations of BS VI emission norms, etc) taking place in the present market scenario. Moreover, in the three-wheeler engine business also, the

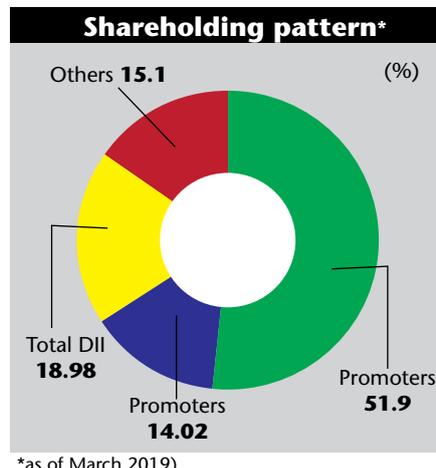
customer base (Piaggio, Atul Auto, Mahindra, Jayesh Auto and Scooter India) was narrow. In fact, Piaggio still continues to buy over 35 per cent of the GCL's three-wheeler engine production.

Moreover, the company has been finding itself too sluggish to respond well to the transforming market demand and thus limiting its growth prospects. However, the recent initiatives and efforts to diversify the

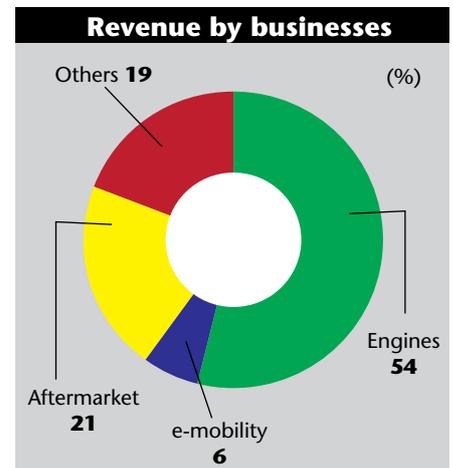
portfolio and get into newer businesses (including significantly strengthening of non-auto portion of the engine business) have worked quite well for the company.

These new initiatives and businesses have already started fetching desirable results – so much so that, despite all the headwinds in the market, the company has put up an impressive show recently. Bucking the prevailing market sluggishness, GCL recently posted growth in nine consecutive quarters – a validation that has certainly energised the management, which has taken a conscious decision to transform the company into a completely new entity, where new businesses are already contributing over 10 per cent to the topline. In fact, since 2016-17, more than ₹400 crore was added to the incremental annual topline, of which 70 per cent has come from new businesses.

Having grown by some 11 per cent to about ₹1,988 crore in 2018-19, the company clocked a 4 per cent growth in revenue to ₹477 crore for Q1 2019-20, as against ₹458 crore in Q1 2018-19. In Q2 2019-20 and Q3 2019-20, however, there was a marginal dip – to ₹490 crore (as against ₹495 crore) and ₹495 crore (₹506 crore) respectively despite a challenging market condition, where demand across sectors has declined. However, for the nine-month ended December 2019, the revenue grew marginally to



*as of March 2019)



₹1,462 crore, as against ₹1,460 crore. Importantly, the profit too increased by 4 per cent to ₹137 crore during the period.

“We are happy about the way our strategy and business plans have progressed, that too in a challenging market condition,” says Nagesh Basavanhalli, MD & CEO, GCL. “Our attempt to diversify and get into new-age and consumer-facing businesses have been the reasons behind this outcome. Going ahead, we plan to continue to deepen our reach in these areas, even as we maintain our position in our core areas. This is how we look forward to position ourselves in the market”. Nagesh has been in the forefront of the initiatives to implement this new strategy ever since he joined the company in September 2016. In the last three years or so, under his leadership, the company has grown at a CAGR of about 10 per cent amidst market challenges.

“This has been the result of diversification in multiple domains, as also bringing in the right people who a vision to take the company at a much higher level,” adds Nagesh. “Our goal was to take GCL from a B2B to a B2B & B2C company to reach closer to the consumer”. Nagesh has been instrumental in taking GCL to where it is today and is all set to create a new place for it in the market. The company is moving from being a traditional diesel engine manufacturer to a fuel-agnostic solutions and services company.

The catalyst for this transformation, Nagesh is a global automotive executive with over 20 years of experience in leading companies to transform and grow in overall market value, thereby



strengthening worldwide presence. A mechanical engineer, who has a Master of Science degree from the University of Texas and an MBA from the University of Chicago (School of Business), Nagesh has played crucial roles in bringing the best technology and people resources to create winning brands. He believes that companies can work closely with communities to drive higher economic value and develop sustainable solutions for the world.

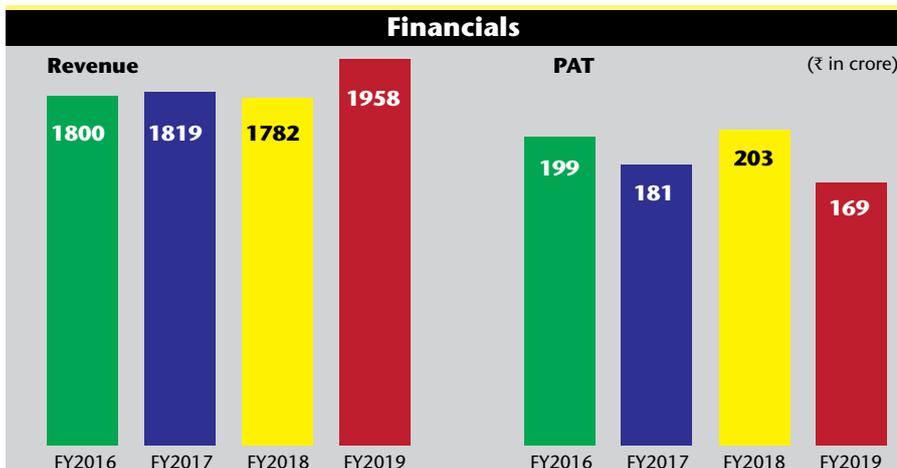
Prior to his appointment at GCL, Nagesh was with Fiat Chrysler Automobiles for over two decades, the last posting being MD & president, FIAT India Automobiles India. He joined Chrysler in 1994 and held numerous positions of increasing responsibility in engineering and product planning. He

was also associated with the ATG group as the group president for emerging markets.

From primarily manufacturing single cylinder diesel engines for three-wheelers, the company took a conscious decision about three years ago to diversify its portfolio and offerings in a significant manner. Today, GCL boasts of a diversified portfolio of engines, which are not only catering to the automotive segment, but also a wide range of non-automotive applications in agriculture, construction, marine, railway, defence and other industries. Besides, its offering in the engine space is today fuel agnostic across diesel, petrol and CNG, making it a leading manufacturer of clean-tech, fuel-agnostic power-train solutions.

GCL has strengthened its position in the clean-tech mobility space with a wide range of fuel efficient water-cooled CNG engines, which are used in wide body vehicles for personal and commercial use in the semi-rural and rural areas. The company provides affordable mobility solutions making 400,000 plus engines annually, almost one engine per minute. This translates to moving over 10 million passengers and 500,000 tonnes of cargo daily. In all, GCL has already crossed a milestone of making five million engines.

After decades of success in the last-mile commercial mobility segment, the company has forayed into growing personal mobility segment with e-mobility





solutions. It has augmented its clean technology portfolio with an entry in the last mile affordable two-wheeler personal mobility segment with 100 per cent acquisition of the Coimbatore-based Ampere Electric Vehicles.

As a part its multi-pronged strategy, the company has augmented its capacities and capabilities in the non-automotive segment, where it makes and supplies engines to multiple industries outside the auto space. Currently, its non-automotive engine segment contributes over 35 per cent of the company's total engine production. It also has two separate business units in the power and agri space, which make a wide range of gensets, as also an array of pump sets, power tillers and light agri equipment. The company has achieved milestones of supplying one million gensets and three million pump sets.

While the company has diversified its manufacturing and product portfolio, it has also made a conscious move to come closer to its consumer base by foraying into the retail space in a big way, from a limited presence earlier. In line with GCL's focus on building and strengthening the last mile mobility support ecosystem in the country, the company has put up over 380 big 3S (sales, service and spares) retail centres and over 5,000 smaller multi-brand spare parts retail outlets (as against about 3,000 three years ago) in the after-sales market. The company has been adding 15-20 stores a month in its retail network.

GCL has reinvented the last mile transportation services space with its new initiative – Greaves Care (a part of Greaves Retail), a one-stop shop for all services and spares requirements of the

The transformed GCL has responded quite well to the ongoing Corona crisis. After the shutdown of production for few weeks due to lockdown, the company has partially resumed its manufacturing at its Aurangabad facility and is looking to step up the operations going forward as the restrictions ease. The company has prepared a well-chalked out plan to deal with this crisis situation and is putting in place a comprehensive action plan across its various functions in order to face the challenges.

“The Covid-19 crisis has caused a slowdown to the whole industry, and we are not immune to it. The pandemic has directly affected both the demand and supply side, which has created a severe impact for the overall economy. There is no denying that this situation will have a negative impact on liquidity and would likely to put downward pressure on the Indian automotive sector as a whole. Since the market will take its course of time to evolve from the setback, we have re-evaluated and accelerated certain plans to bounce back. We are in constant touch with channel partners, supply chain teams and employees, and have initiated steps to ensure business continuity when market reopens fully,” states Nagesh. ♦

last mile vehicle user. It is an organised service set-up that provides customers high-quality repair of multi-brand three-wheeler and small four-wheeler commercial vehicles and all aggregates through the expert hands of company-trained mechanics.

GCL also offers a wide range of high-quality parts and lower labour cost with post-service cover up to six months warranty on selected parts. Greaves Care offers a wide variety of service and maintenance options across all categories such as body, engine, transmission, electrical unit, rubber parts and lubricants. At Greaves Care, expert care is provided with company trained mechanics ensuring quick turnaround time for auto drivers.

“Earlier, our spare parts business was only servicing in the engine space,” explains Nagesh. “But, with conscious effort, we have added CNG and electronic segments into it. In the aftermarket segment, we are gradually getting into multi-brand spares”.

In all, GCL has turned into a completely new entity, manufacturing products and providing world class solutions across clean-tech fuel agnostic power-train solutions, generator sets, farm equipment, e-mobility, aftermarket spares and services. These are offered under various business units – Greaves Engines, Greaves Power, Greaves Agri, Greaves Retail and Greaves Global (the company also exports about 10 per cent of its production/ solutions). Backed by over 2,000 employees, the company has seven state-of-the-art manufacturing units located in Aurangabad, Pune, Chennai and Coimbatore, as also R&D centres in Pune and Bengaluru.

“Our future-focussed strategy has paved the way for strong initiatives and we are confident to create a promising future,” says Karan Thapar, 63, chairman, GCL. “We are using the powerful combination of human insights, investment, technology and scale to make GCL a future ready company and we expect our e-mobility solutions, both in commercial and personal mobility segment, to transform the last-mile delivery. We have also enhanced our focus in getting closer to the customers with new Greaves 3S retail stores as a part of providing

enriched consumer experience under single roof in last-mile ecosystem support". Thapar is the grandson of Karam Chand Thapar, who founded the iconic Thapar group in 1920. The group owns companies like The Pioneer, Oriental Bank of Commerce, Oriental Insurance, EICL, Crompton Greaves, Greaves Cotton, Global Green, JCT group, BILT, BILT Chemicals, and KCT Bros, among others.

A chartered accountant by profession, Thapar owns Greaves Cotton, along with EICL and Premium Transmissions. He had steered EICL's growth earlier, transforming it from a commodities-based manufacturing company to an innovative, solution-driven specialty chemicals company, serving over 700 customers worldwide, across a range of industries including paint, ink, paper & board, textiles, pharmaceuticals, rubber and oil drilling. His other company, Premium Transmissions, makes gearboxes, geared motors and fluid couplings.

During the last three years, GCL has put up considerable effort to build up the relevant capabilities and capacities and has invested over ₹350 crore towards this end. It has made rapid strides in embracing clean technology solutions, which are scalable, sustainable and profitable in the long run. The company is betting big on new age mobility solutions as also expanding its presence in the non-automotive engine segment.

As part of its strategy to establish itself as a leading fuel agnostic power-train solutions and services company, GCL has partnered with Pinnacle Engines, a Silicon Valley-based technology company. The partnership has enabled the company, market leader in the three-wheeler diesel engine space, to get into the larger three-wheeler petrol/ CNG space, with a powerful customer value proposition, as also to access export markets with a large three-wheeler volume. The technology partnership with the US company has helped GCL introduce a revolutionary 'opposed piston petrol/ CNG lean-burn' engine, with lower maintenance cost that results in more savings to the end customer. Besides, it has enabled it to launch BS-VI-compliant engines for three-wheelers in India.

Pinnacle Engines, which also has a



subsidiary in Pune, is a mobility technologies business specialising in the production of engine architectures to enable OEMs to meet the present and future emission norms at a competitive cost. "We value the opportunity to partner with an established market leader like GCL and expect that our combined strengths will provide great advantage to the market," said David Moll, chief executive, Pinnacle Engines, at the time of signing of the agreement with GCL. "OEMs face great pressures on fuel economy, and ever-tightening emissions norms, and our combined strengths will provide greater advantage to the market".

Despite all challenges, the company has completed the stringent BS-VI certification for its single-cylinder diesel engines in a record time. These future-ready engines will power diesel three-wheelers of multiple OEMs in India for the last-mile transportation, with Piaggio's Ape range of diesel three-wheelers being the first. These engines, powered with advanced fuel injection technology and after-treatment systems that ensure highly consistent pollutant reduction, are likely to deliver superior fuel efficiency and lower total cost of ownership.

"The launch of our single-cylinder BS VI diesel engine for three-wheeler application is a milestone not just for us but also for the entire automobile industry in the country," says Ravi Damodaran, CTO, GCL. "This is a significant technological achievement for us, considering that there were no worldwide

benchmarks to emulate and that we built this compact engine ground-up in record time. We see this technology breakthrough as yet another strategic achievement in building world class clean-mobility solutions ranging from clean diesel to CNG and electric".

In addition to launching the BS-VI compliant engine, GCL is also strengthening the aftermarket network and rolling out up-skilling initiatives to equip mechanics around the country with the necessary know-how to service these BS VI engines. As per the regulatory requirement, all the vehicles in the Indian market have to run only on BS-VI-compliant vehicles from 1 April 2020. According to the new BS VI emission norms, there need to be a drastic and compulsory technology adoption and modifications by the manufacturers of vehicles in the country.

GCL augmented its clean technology portfolio by entering the last mile e-mobility solutions space, as it moved to acquire the Coimbatore-based Ampere Vehicles, maker of e-scooters, in October 2018. The company first picked up 67.34 per cent stake in Ampere for ₹77 crore, followed by an additional 13.89 per cent stake in July 2019 for ₹38.5 crore, by way of primary and secondary share purchases. And in November 2019, the company announced the acquisition of the remaining shares held by Hemalatha Annamalai, promoter & CEO, Ampere, through a secondary purchase. Following the acquisition, Ampere Vehicles



is now a wholly-owned subsidiary of GCL, with significant presence in electric two-wheeler space (over the last 10 years).

Established in Coimbatore, Ampere, which had Ratan Tata as one of its early investors, is engaged in design, development, manufacture and marketing of battery-operated electric vehicles for personal mobility and industrial applications and materials movement. Apart from Tata, Ampere, led by Hemalatha Annamalai, had also received investments from Infosys co-founder Kris Gopalakrishnan. Both Tata and Gopalakrishnan exited later.

Ampere has a decade of experience in building and making electric vehicles. With a strong base of 50,000+ customers, backed by a comprehensive EV ecosystem support, the e-scooter maker has a strong network of over 200 exclusive outlets (over 380 outlets, including Greaves retail stores). The company had recently opened two new dealerships in Delhi. In the e-two-wheeler segment, Ampere is one of the first companies in India to indigenously make key components of an electric vehicle.

Ampere Electric Vehicles sells two-wheeler electric scooters both in low and high-speed segment. In the low-speed category, Ampere sells Magnus Reo V48 e-scooters while, for the high-speed category, it has Zeal. Apart from these two-wheeler e-scooters, Ampere also sells industrial use electric vehicles under the brand Trisul and Mitra. Having grown steadily in the past, the company's revenue, which stood at ₹7.1 crore in fiscal 2017, rose to ₹53.6 crore in 2018-19.

"GCL is looking to leverage its position as the leader in providing last mile

solutions by playing a pivotal role in enhancing the pace of India's transition to electric mobility," says Nagesh. "Our strategic acquisition of Ampere, one of the leading brands in the personal and last mile mobility electric vehicles segment, is part of a larger vision to helm a renewable-energy revolution in the country. With Ampere's acquisition, we are now well poised to become one of the fast-growing e2W player in the market".

As a part of the clean, shared mobility in the last mile transportation segment, GCL is also selling e-rickshaws in select pockets of India especially North and East India. Till December 2019, the company has sold over 3,000 e-rickshaws, which are energy-efficient and reliable, and is widely preferred due to superior cost economics, higher savings-per-km of usage, extensive aftermarket support of spares, service, charging and financing options today. The company has been retailing e-rickshaws through select network of Greaves Retail outlets. E-rickshaws have been gaining prominence in short commute point-to-point transportation for shared mobility users.

To serve the EV ecosystem better and augment its presence, GCL has also activated its wholly-owned subsidiary Greaves Leasing Finance. The NBFC arm has announced its partnership with Wheels EMI to provide easy finance options to prospective electric vehicle buyers (Ampere) and, hence, enable millions of people embrace eco-friendly vehicles. This move will make cost-conscious customers take a prudent decision, while buying Ampere electric scooters. The financial products offered

by Wheels EMI provide benefits such as credit accessibility, quick eligibility check, collateral-free loan, attractive interest rates and personal assistance through the entire process to all prospective buyers of Ampere e-scooters.

"As a leader in the last mile mobility segment, we continue to play a pivotal role in fostering electric mobility penetration with affordable finance options for the discerning EV buyer," says Harish Prabhu, director, Greaves Finance. "With this tie-up, millions of customers can buy electric scooters at low down-payments and EMIs across a fast-growing nationwide network for Ampere electric vehicles".

With all these developments in place, GCL is positioning itself well in the changed market conditions. As a transformed entity, the company is all prepared to tap the emerging opportunities arising not only in the automobile space but also other non-auto businesses. From a three-wheeler diesel engine maker, the company have, in the last few years, built a well-diversified offering, where it has also got into B2C space with last mile e-mobility solutions and also services in a big way. The move has already started paying rich dividends, as the company has been able to buck the market slowdown in an impressive manner. Amidst headwinds, the company has clocked a CAGR of about 10 per cent in last three years, starting 2016-17. Moreover, the diversification has also provided its overall business a much-needed hedging mechanism to face the market vagaries more effectively and thus maintain a sustainable growth trajectory in the long term.

♦ ARBIND GUPTA

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