

**Greaves Cotton Limited**  
**Q1 FY '19 Earnings Conference Call**  
**August 14, 2018**

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**Moderator:** Ladies and Gentlemen, Good Evening and Welcome to the Greaves Cotton Limited Q1 FY '19 Earnings Conference Call. From the Management, we have with us today Mr. Nagesh Basavanhalli, Managing Director and CEO; Ms. Neetu Kashiramka, CFO; and Mr. Tarun Khanna, Chief Marketing Officer and Head Strategy and IT. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. I am now glad to hand the conference over to the Managing Director and CEO, Mr. Nagesh Basavanhalli, from Greaves Cotton Limited. Thank you and over to you, Sir.

**Nagesh Basavanhalli:** Thank you. Good Afternoon everybody. Welcome to the Greaves Cotton conference call. We are going to talk about the Quarter-1 Fiscal Year '19 earnings. Good Evening again to everybody. To begin with, I would like to highlight today that our continuous focus on our strategic plan has enabled us for the fifth quarter in a row to continue the growth momentum. For the quarter that ended June of 2018, Greaves Cotton reported a positive revenue growth of plus 13% on a year-on-year basis. We would also like to highlight that in spite of commodity inflation, our sustained approach on cost rationalization has led to enhanced EBITDA as well. Our EBITDA has grown by about 10% when you look at it on a year-on-on basis from 55 to 61. We are confident that we will continue to focus our thrust on expanding our portfolio and making sure that we focus on new areas in terms of working on our business plan whether it is in the area of mobility, farm, energy, Greaves Care. Greaves Care as of the quarter ending was already at 74 and growing every single day. We are grateful to the 5000 odd aftermarket retail network that on any given day attracts a lot of people, we will continue to invest in our R&D, focus on expanding our business footprint, continue on our operational excellence, and at the end of day create value for our customers. I would now like to hand over to Neetu Kashiramka who will take you through the Investor presentation. Thank you.

**Neetu Kashiramka:** Good Evening everyone. I will take you through the investor presentation, financial performance snapshot, some of the items Nagesh has already covered, so I will skip that and take the other item, so if you see the PAT before exceptional items, it is a growth of 7%, RMC there was a pressure of 0.5%, but still we have been able to maintain our EBITDA and basically because of better cost measures. Average quarterly revenues from FY '17 of 408, we are now at close to 450. If you see revenue by business, engine business is now at 48%, aftermarket at 24, others at 28; others include gen set, Agri, and some trading. The key financial matrices, net worth is now 1000 crores, EPS reported is 1.6, ROC at 23% and fixed assets around six times revenue. Q1 key initiative Greaves Care which is already discussed by Nagesh, so now I open the forum for Q&A.

- Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Capital. Please go ahead.
- Ashutosh Tiwari:** Firstly, can you provide the volume numbers for three wheeler, four wheeler, pumps, and gen sets and dealers in this quarter?
- Neetu Kashiramka:** For engine business, the volume is 74,580, on the PK pump set it is 15,830, diesel pumps set 3173.
- Ashutosh Tiwari:** Sorry, the pump set how much you said?
- Neetu Kashiramka:** For the Quarter-1, PK pump set 15,830 and diesel pump set 3173.
- Ashutosh Tiwari:** Lastly, volume is how much?
- Neetu Kashiramka:** Last year same quarter, PK pump set was 16,992 and diesel pumps set 3720.
- Ashutosh Tiwari:** On the engine side?
- Neetu Kashiramka:** On the engine side, 71,615 in last year.
- Ashutosh Tiwari:** Volume of gen sets and tillers?
- Neetu Kashiramka:** Tillers we sold, we will come back to you.
- Ashutosh Tiwari:** Secondly, if you look at the employee cost, it has come down in Q4 again this quarter is up, so is it normal employee cost in the current quarter that same run rate we should assume going ahead?
- Neetu Kashiramka:** Basically, there is an 11% increase in the overall employee cost, small portion of it, so overall increments are around 6% to 7%, so for the year you can take it as 6% to 7% growth for the employee cost, but that was one time.
- Ashutosh Tiwari:** How much was one time in this?
- Neetu Kashiramka:** You can take 7% growth for the year on the employee cost.
- Ashutosh Tiwari:** Lastly, we are seeing lot of increase in the like there was an INR has depreciated against USD, that should lead to higher cost of aluminum as raw material, so how do you see that passing through to the OEMs, will there be a lag or how will the pricing work over there or does it impact on our gross margin going ahead?

- Neetu Kashiramka:** We should be able to maintain our gross margin at the current levels by various initiatives which we are taking, some cost control measures of propel and others.
- Ashutosh Tiwari:** You did not give me the tiller volumes?
- Tarun Khanna:** It is 1800 versus about 820 last year same quarter.
- Ashutosh Tiwari:** Gen sets?
- Tarun Khanna:** Gen sets was 1300 versus about 1100 last year same quarter.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.
- Bhargav Buddhadev:** Sir, the volume growth on the auto Indian market change could be slightly on the lower side because if you look at the volume growth quoted by your OEMs has been significantly higher, close to about 26%, so where is the disconnect?
- Tarun Khanna:** The diesel three wheeler segment has grown about 10%. The overall market has grown 15%, lot of the growth has come in the CNG side of the market, about 120% is the CNG growth in the three wheelers, so our diesel segment which is the bulk of our sales has grown 10% versus that we have grown about 4%. Now, if you compare it to the last year same quarter what had happened was that there was a total inventory emptiness in terms of the inventory in the market because of the switch from BS III to BS IV in the same quarter. So while we built the engines there was obviously a lag in terms of the vehicle built that happened at the OEMs end, so they had a very low Quarter-1 because they were building inventory. So versus that they have obviously shown a much higher growth because the vehicle inventory is now at a higher level, so there is a lag that is there, so like to like if you compare the engines, there is not as significant a growth as compared to the vehicle growth. In the overall H1, this will catch up because now there is a pull from the OEMs to maintain the inventory and the sales at the same level as Quarter-1 into Quarter-2, so there is pull from the OEMs in terms of the engine order and so it will net off and at an overall H1 level, engine and vehicles will be pretty much in line and like to like.
- Bhargav Buddhadev:** So can we expect more than 75,000 engines in Q2?
- Tarun Khanna:** Yes, as per the seasonality, yes we can expect that. Having said that it will be aligned with what the vehicle manufacturers demand comes in to us.
- Bhargav Buddhadev:** Secondly, is there any update on the high kVA launch in gen sets, we were supposed to launch that in FY '19?

- Tarun Khanna:** Yes, we have started to get initial orders and the first set of deliveries will start within this month in fact, so it did not happen in Quarter-1, but Quarter-2 we will start to sell the higher kVA gen sets, as and when we ramp up, we will keep you posted at the end of Quarter-2.
- Bhargav Buddhadev:** Who is our technology partner for this, would you want to share?
- Tarun Khanna:** We obviously work with the couple of partners, but at the end of the day the important thing is our range between 500 to 1250, it is in the play right now and we are going to market that with a competitive product.
- Bhargav Buddhadev:** Thirdly, is there any update on the new signup with Leap engine or we yet to go?
- Tarun Khanna:** Leap engine, we are taking like we said I believe in the last call, we are taking that to BS VI, we are actively talking to a couple of OEs who have expressed interest and as we all know with BS IV the timeline was limited, so the business case was limited on that. So we are moving towards BS VI development, and it is still in the play and it is definitely something that we are talking with a couple of OEs. As and when we progress, we will share any information that we have.
- Bhargav Buddhadev:** Sir, I think our deadline should be close to December otherwise I think no OEMs may sign up?
- Tarun Khanna:** Well, as you know BS VI will be launched in 2020 and as and when we do have a breakthrough there, we will be surely sharing with you.
- Bhargav Buddhadev:** Lastly, Sir, what is the cash balance, cash and liquid investments?
- Neetu Kashiramka:** 605 crores.
- Moderator:** Thank you. The next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.
- Bharat Gianani:** Sir, I just had two questions, firstly on the CAPEX front, what is your CAPEX guidance for this financial year, FY '19?
- Neetu Kashiramka:** We will be spending close to 100 crores in the current year.
- Bharat Gianani:** Okay and that would be towards?
- Neetu Kashiramka:** Mainly towards R&D, this year more because we are having BS VI as well as Pinnacle, major two projects running.
- Bharat Gianani:** Okay, so bulk of these is in automotive R&D.
- Neetu Kashiramka:** Yes.

**Bharat Gianani:** Second question is on, while you earlier pointed out that the three wheeler industry growth was 50% in Quarter-1, but the diesel three wheeler segment has grown at a substantially lower rate of about 10%, but what is our outlook for the full Financial Year, I guess Quarter-1 would have some favorable impact of the base effect also, so what is your projection for FY '19, the diesel three wheeler industry growth will be lower than what it has regulated in Quarter-1 or like how, what is your sense on that?

**Tarun Khanna:** Firstly, we obviously do not do a projection, we keep a close alignment with our OEM customers and look at how they are projecting their demand and then they show that we are able to cater to the demand whether it goes up or down. Secondly, you are right that the H1 was lower last year, so you are seeing a higher growth in some of the segments because of that. Having said that, we are not really to give any advice or any forecast going forward.

**Bharat Gianani:** Sir, last question is like, what I am trying to ask is that the Government has notified CV norms, CV revised XL load norms, so that is applicable to LCVs, but that is not applicable to three wheelers, but what I am trying to understand is because of the higher carrying capacity of the LCV, are you forecasting any adverse demand for the three wheeler because of the higher carrying capacity of the LCV, so that is my question?

**Tarun Khanna:** That is a very difficult correlation to make because the usage of the three wheeler format is mostly in the last mile movement and the LCVs I do not see how they will replace that demand, so the usage and the utilization is for a very different purpose, we are not really seeing any impact of LCVs coming on to three wheelers.

**Nagesh Basavanhalli:** Just to add one or two things as mentioned, one is the three wheeler demand if that is your question, I think we are expected to grow at single digits...

**Tarun Khanna:** In medium to long-term, we expect the three wheelers to continue to grow at a single digit.

**Nagesh Basavanhalli:** With the market and the market itself the CNG, as the CNG grew last quarter when you look at it Quarter-1 '19 versus Quarter-1 '18, we sold 2300 engines or CNG was 700 the previous year, so our CNG offering which is in the 400 CC CNG which is the bigger CNG engine has also started to see growth, so we are participating in that segment, we do not participate in the lower end of the CNG which is the smaller CNG engines, so I just want to make that clear that while obviously our strength is diesel, we are beginning to participate in the CNG engine story as well.

**Bharat Gianani:** CNG, what is the contribution currently, CNG engines and overall engine revenue as of now?

**Tarun Khanna:** As Nagesh said, it is very low, bulk of our sales in the diesel part of the market, but we have grown 200% on our CNG sales of last year same quarter. We sold about 700 engines in Quarter-1 FY '18 and we have sold 1300 engines in Quarter-1 FY '19.

- Bharat Gianani:** Who would be our customer in this?
- Tarun Khanna:** So, it is the same set of OEMs that we cater to, we can get to the exact names of who are buying the CNG ones from us.
- Moderator:** Thank you. The next question is from the line of Nirav Vasa from B&K Securities. Please go ahead.
- Nirav Vasa:** Sir, my question pertains to the aftermarket business, so can you throw some color as to what is the ideal mix of revenue that you are targeting between engine and after sales market maybe from FY '19 and/or FY '20 perspective, and what is the kind of contribution it brings to the bottom line?
- Neetu Kashiramka:** Aftermarket business bottom line is better than the company margin, in fact it is better than the engines business also and going forward also this trend will continue.
- Nagesh Basavanhalli:** To add on to the strategy and the business plan let me take a minute and explain the aftermarket, about two years ago, we said in addition to our engine spare parts, we were going to get into multi-brand spare parts. The multi-brand spare parts now on all three wheelers, which is all parts on a three wheeler, right, body, chassis, electrical, we are beginning to source, develop, as well as sell. The good news is the traction is building there and we are seeing significant traction there. Another thing is that we have added the Greaves Care Centres that is also growing the traction. The other development that has happened in the aftermarket area over the last two years is our 3500 dealer outlets has now become 5000 dealer outlets, so on any given day, we get about 40 to 50 people, so when you look at the company itself, our traditional B2B company is now slowly moving more and more towards directionally a B2C company because on any given day, we are servicing 5000 times 40 people at a minimum and our Greaves Care Centre which was 74 at the end of Q1 and growing every single day is servicing anywhere between 7000 to 8000 customers per month, so all of this is in the purview of the aftermarket, which Greaves always talked about, we have the brand, the reach, and the capability. This is the reach that we are talking about and we are expanding that reach pan India.
- Nirav Vasa:** Sir, can we expect this aftermarket segment to contribute almost equal revenue which is in line with the engines maybe in next two to three years' perspective?
- Nagesh Basavanhalli:** The potential is huge and I will not put a number there in terms of the exact number, but we have a good strategic plan, we are delivering to the strategic plan and we are on target, and yes, it is a profitable business, and yes, we have the reach and the muscle to get there.
- Nirav Vasa:** Sir, in 1Q FY '19 profit, revenue contribution from aftermarket was 24, but any color can you give on bottom line, which has contributed by this 24% revenue?

- Neetu Kashiramka:** It is higher than the share of sales.
- Nirav Vasa:** Sir, in engines as I understand if for any new customer who is trying to, any new OE who is trying to become your customer, he would do extensive testing of your engine, which typically goes through around year to year-and-a-half, so any customer with whom you are in advance negotiations for start of these extensive trial tests?
- Tarun Khanna:** Are you talking about BS VI on diesel or are you talking about CNG?
- Nirav Vasa:** Both.
- Tarun Khanna:** On BS VI for diesel we are already in advanced discussions, building prototypes, with all of our OEMs. We are going ahead with all of our OEMs for BS VI on the three wheeler diesel engine. On the Pinnacle CNG engine, again when most of the key OEMs, we are in advance discussions to take it to the next level in terms of testing, validation, and customer demonstration, so yes, absolutely as well as the home grown CNG which we spoke about earlier and that is also getting a lot of traction from our current OEMs as we spoke, the demand has more than trebled over last year.
- Nirav Vasa:** Sir, any price hikes that you have taken in this quarter with OEMs?
- Neetu Kashiramka:** We had taken price hikes in the engine business, overall growth of 8%, 4% we have taken price increase.
- Moderator:** Thank you. The next question is from the line of Manami Manna from Arihant Capital. Please go ahead.
- Manami Manna:** Sir, this quarter regard your EBITDA margin, I mean if I compare with last quarter, quarter on quarter it has declined around 107 basis point and even on a year-on-year basis also around 33 BPS, so going forward for FY '18, the whole year it was around 16 to 16.5 and Q1 it is around 13.3, so going forward can you give some idea about?
- Neetu Kashiramka:** FY '18 our EBITDA margin was 14.1% for the whole year and we are confident that we should be able to do that for FY '19 as well. Quarter on quarter, there might be some differences. It also depends on the revenue because if you see last quarter was the biggest quarter for us, so that may not be the benchmark, you will have to look at full year. We are confident that we should be able to do a similar margin.
- Manami Manna:** So going forward around 15 to 15.5 margin will be sustainable?
- Neetu Kashiramka:** I said 14.1 is what we did in FY '18, similar margin for the whole year we should be able to.

**Manami Manna:** Madam, another thing I mean can you give some light on what is the outlook on the farm equipment and your gen set business mainly the others, around 20% has been contributed by others, so what does it look like there?

**Tarun Khanna:** As we had said earlier, both the businesses are growing in double digits, the farm business we have grown significantly on the power tillers which we noted in response to another query earlier where the power tiller numbers have grown significantly over the last year same quarter. Again, our pump set business continues to grow and from diesel and petrol- kerosene we have now expanded in to the electric pump set range, so that is incremental business for us. So based on that the farm business is growing strongly for us. Secondly, on the gen set business as we mentioned, we have now started to get into at the end of Quarter-1 started to get into the higher kVA segment, while the market was very sluggish in Quarter-1, we have again reported double-digit growth there on the gen set business, so that again is doing strongly for us as well.

**Manami Manna:** Sir, what is your market share right now in the auxiliary power segment, FY '18 you had almost doubled it from 3.5 to 6.5?

**Tarun Khanna:** In the addressable market, we are maintaining that 6.5% share in the gen set business.

**Manami Manna:** Sir, in the farm equipment space where you are now migrating to the M&A electric and on the farm, so any thought on the solar pumps and all because Government is very keen on these solar pumps and all, are you planning any?

**Tarun Khanna:** We are evaluating that, we have to go one step at a time, we have just done an all India launch market by market on the electric pumps range, so we need to first establish that, make sure we get the product, the distribution, the marketing, and sales right on that as well as the service and then we will look at other categories. As we have spoken earlier in terms of our broad strategic plan on the farm sector, we are looking at building a complete portfolio, both on the irrigation side as well as on the farm mechanization side, so the power tiller launch, the electric pumps launch are both part of that long-term portfolio building strategy and we will continue to do that.

**Manami Manna:** Sir, any guidance on the, what will be the contribution to the revenue, will it grow, right now it is contributing around 28% taking all the three together?

**Neetu Kashiramka:** It will definitely be slightly higher than this 28 because since this business is growing double-digit.

**Moderator:** Thank you. The next question is from the line of Girish Raj from Quest Investments. Please go ahead.

- Girish Raj:** Just wanted some insight on the market, so excluding Bajaj, what would be the size of the CNG or petrol market?
- Tarun Khanna:** At an annual level or at a quarterly level?
- Girish Raj:** Annual level.
- Tarun Khanna:** Annual level, last year the market was about 6,50,000, right now the market is growing in this quarter, so that would be approximately the market size at an annual level 6.5 lakhs. The overall market in terms of split on diesel versus petrol CNG is about 50:50, so diesel is 50 and petrol plus CNG plus LPG is 50.
- Girish Raj:** Excluding Bajaj of the 650, domestic market, what would be the split between diesel and non-diesel or CNG?
- Tarun Khanna:** I will have to calculate and come back to you, because Bajaj is also playing in the diesel part, they are also playing in the CNG part.
- Girish Raj:** I was just trying to understand the opportunity in terms of multi-fuel or the CNG for us?
- Tarun Khanna:** We can take that question, but let me give you a broad big number on 6,56,000, three wheelers sold last year, Bajaj sold 3,70,000 approximately.
- Nagesh Basavanhalli:** From an overall strategy, we had talked about that Greaves two years ago was moving from a diesel engine company to a fuel agnostic power train solutions company, what we meant was we were going to work on diesel plus CNG plus petrol and plus other newer sunrise options like electrical hybrid, so the good news is in addition to diesel where we have a pole position the CNG out of our existing stable of engine which we have modified and quickly gotten into market over the last one year, we have seen a engine triple and we have also announced the investment with the Pinnacle engines which will bring in the 2XX or the small CNG engine to the market for the BS VI, so clearly we intend to play in the remainder of this 50% of the market that Tarun talked about, which Greaves was not traditionally playing, so our intent is it is an ant and an ant strategy, we will work on diesel plus petrol plus CNG, so the intent is we will continue to play in all of these three.
- Girish Raj:** The non-Bajaj OEMs, do they source CNG engines from suppliers like us or they do it in-house?
- Tarun Khanna:** For the smaller format, which is the 2 plus 1 either they have in housing engine or sourced externally. For the larger format, which is the 6 or 7 plus 1, they take engines from us, which is the 4XX CNG engine that we spoke about.

- Girish Raj:** Last question, in the auto Expo, we displayed three wheeler one of the products, so what exactly is our focus area under EV, would it be component or the full vehicle, strategy would help?
- Tarun Khanna:** Clearly, you are right I think we demonstrated running power train technology. Again, there we are working with partners where we are working on the entire power train solutions and the services, why all that because it is not just the power train solution, but also the infrastructure services and we are developing solutions, we have a several proof of concepts that we are working on and it is in the alpha stage right now. So as and when we develop that and we take it to the next level, the intent is both as a power train solutions provider to the OE partners, along with other services provider in terms of infrastructure offerings like, i.e., battery charging, battery swapping etc. services down the line as and when the customer needs them, we will be ready to provide through our Greaves Care Centres, that is the intent.
- Girish Raj:** So, it would not be the final product, right?
- Tarun Khanna:** Final product, right now we have not made any announcements to be in the final product, we would be a power train solution and a services player.
- Girish Raj:** Greaves Care, how scalable is this business, Sir?
- Nagesh Basavanhalli:** Greaves Care like I said is one of the fastest-growing multi-service brands in the country in the area of three wheeler service, so clearly we are seeing traction and we are adding people pan India through our franchisee-led, low-CAPEX model and the intent is to be at least at a minimum of 150 by the end of this fiscal year and of course from then on, we will continue to keep scaling, we are very encouraged with the success that we have seen so far.
- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital Advisors. Please go ahead.
- Shikha Mehta:** I actually just like a breakup of revenue from the other segment between gen sets and Agri equipment etc.?
- Neetu Kashiramka:** That we have not been sharing, but overall it is 28% but APB is higher than FEB that much I can say.
- Shikha Mehta:** Currently, are we present on the EV side at all?
- Tarun Khanna:** As we spoke earlier, we are right now at an alpha stage in terms of building the solutions as a services, it is too early right now.
- Shikha Mehta:** What is our target for Greaves Care by the end of this year and maybe next year?

- Tarun Khanna:** As Nagesh said earlier, at the end of this fiscal we are targeting to be at 150 outlet level.
- Shikha Mehta:** Do we have any idea for FY '20 now or is that too early yet?
- Neetu Kashiramka:** We will let you know as soon as we get there.
- Moderator:** Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Capital. Please go ahead.
- Ashutosh Tiwari:** Sir, on the electric side by what timeframe you think that commercial solution will be placed in the market and probably OEMs will start using it?
- Tarun Khanna:** As Nagesh said earlier, we are at an alpha stage right now in terms of our electric power train solutions. It is too early to comment because one is the technology development, the other is the OEM demand that needs to come in, so as we walk down that path we will keep you posted.
- Ashutosh Tiwari:** On Pinnacle engines basically probably right now the development is going on so by what time range will get ready and probably will have some understanding with the OEM that they are going to buy it?
- Tarun Khanna:** Right now, that program itself, we are actually getting into the alpha stage right now, so we are not even completed alpha and then there is the beta, the testing, validation, homologation etc., so we are some bit of a distance away on that. The timing is April 2020 and we will be definitely ready by then and as we go along, we will have OEM signups happening and we will keep everyone posted on that.
- Ashutosh Tiwari:** Lastly, what is aftermarket growth in the current quarter?
- Neetu Kashiramka:** It is higher than the company average.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Would it be possible to give a comparative number of what you have given for engines, aftermarket, and others for quarter, so engines you said 48%, what was it in the Q1 FY '18?
- Neetu Kashiramka:** I can get back to you.
- Manish Goyal:** Because you mentioned that aftermarket has grown double digit, because on the volume numbers what you have provided what it shows is that engine volumes have grown only 2% at 96,600 versus 94,000 and your engine?

- Neetu Kashiramka:** Engine business volumes have grown by 4%, overall engine business has grown by 8% because you have to add CNG also, so if you look at only diesel, you are right 2.
- Manish Goyal:** No, the auto numbers what you gave that was including CNG or, 74,500 you give for Q1 FY '19 include CNG right?
- Tarun Khanna:** We will get back to you, but on your earlier question if you look at the full financial year last year, our engine business was at 49%, now it is at 48% as Neetu said, so obviously the growth in the other non-engine businesses is higher than the engine business, this is to address your earlier question.
- Manish Goyal:** I agree, but where I am coming from is that if we had 4% price hike and the volume number I have is 2% growth, so the balancing growth of what you have is largely contributed by spare parts where you have said it has grown at double digit, so ideally in that case we could have also seen a better margin?
- Tarun Khanna:** Maybe, the numbers are mis-communicated, the engine volume growth is 4%, it is 75,000 versus 71,500, so there is a 4% volume growth.
- Manish Goyal:** No, that is only auto you are looking at, I am looking at overall because when we look at engine growth of 11%, value growth of 11% we are just trying to break up in terms of what is the price-led growth, what is volume-led growth and then there is a spare part component also in that engine revenue, so that is how we are trying to understand?
- Neetu Kashiramka:** You are looking at segment reporting versus this reporting that is why.
- Manish Goyal:** Yeah, because the segment engine revenues includes spare part revenues as well?
- Neetu Kashiramka:** That includes everything, so what we are giving you now 71,000 and 75,000, that is only for the engine business which contributes 48%.
- Manish Goyal:** Madam, would it be possible to give a breakup of auto engines between three wheelers and four wheelers?
- Neetu Kashiramka:** I can give it to you, we can discuss off-line.
- Moderator:** Thank you. The next question is from the line of Darshika Khemka from Edelweiss. Please go ahead.
- Darshika Khemka:** I just wanted to check the pumps number, I missed out that number for Quarter-1 FY '19, if you can just help me with that?
- Neetu Kashiramka:** On the PK pump set it is 16,992 Q1 FY '19, diesel pump set it is 3173.

- Darshika Khemka:** Madam, my second question is related to the working capital, so we had seen a significant improvement in March, so how has been the net working capital to sales at June end?
- Neetu Kashiramka:** Basically, June we are not disclosing the balance sheet, but still it is in line with what we had reported in March.
- Moderator:** Thank you. The next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.
- Bharat Gianani:** Actually, just wanted to check diesel, earlier like last two to three years it used to be higher proportion of the overall three wheeler industry, was it close to about 60%, if you see historical data last three to four years?
- Tarun Khanna:** Three to four years back it was about 60%, you are absolutely right, with more and more Metros and larger cities moving to only CNG fuel for passenger movement, there has been a marginal decline over the years in terms of the diesel proportion of the overall segment.
- Bharat Gianani:** You highlighted that to the earlier question that the larger CNG vehicle, the OEMs typically outsource the engine from players like us, so what would be the market size of this larger CNG vehicles overall if you can just provide a rough number?
- Tarun Khanna:** I will have to come back to you, I do not have the numbers right now with me, but we can come back to you.
- Bharat Gianani:** Sir, just last one question, would you like to place any number on the aftermarket revenue like we have seen a steady growth in the pie of the aftermarket revenues if we see the historical data, so like three to four years back, the aftermarket used to be about like close to 18% to 20% of our revenues and now it is contributing 24%, so you expect with all the multi-brand initiatives and the Greaves Care the earlier initiatives that you highlighted, would the rate of the growth would be similar to what we have seen historically?
- Neetu Kashiramka:** The growth will be in the similar range, difficult to put a number to it because the other piece is also growing which is farm and power business, so there are two boxes which are growing double digit.
- Bharat Gianani:** Internally you would have some target, so basically is it fair statement to say like in the next three to four years probably aftermarket would constitute about 30% of the overall revenues or?
- Nagesh Basavanhalli:** I think you do the Math, right. We were playing in our engine spare parts, two years ago we started multi-brand and we are growing significantly quarter after quarter, multi-brand spares. We started with three wheeler, now we are getting into two wheeler spare parts as of this month, so we are going to start getting into incremental areas, so you do the Math and this is

a good business. We have the reach like I said before, 5000 outlets across the country, so we intend to sweat it.

**Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

**Bhargav Buddhadev:** I have got two questions, one is on the CNG side, you mentioned that there is a strong growth which is visible, so are we getting signups from OEMs which are launching new CNG vehicles are we sort of taking share from some other OEM who used to supply the CNG engines, and secondly, is there any update on the arrangement with Altigreen where they were supposed to sell hybrid electric engines?

**Tarun Khanna:** Your earlier question was on the CNG growth that we are getting or the market is getting?

**Bhargav Buddhadev:** No, you are getting.

**Tarun Khanna:** That is because current set of OEMs, there are no new signups per se in terms of a new OEM coming in, so it was the same OEM with the market growth and the trend towards CNG, we are also able to capitalize on that growth along with our OEMs.

**Bhargav Buddhadev:** When did this signup happen on CNG bit?

**Tarun Khanna:** It has been happening over the last couple of quarters.

**Bhargav Buddhadev:** On the second bit?

**Tarun Khanna:** Altigreen we already updated earlier on the call that there is the development phase is on, still at an early stage in terms of the technology development, because we have only reached the alpha stage right now, and as we go along, we will go to the next age of the technology development, the testing, the validation, and alongside that the customer acceptance, so as we go down the road, we will keep you posted.

**Bhargav Buddhadev:** Just, one last clarification, so the tie up with Pinnacle for multi fuel development, have we seen any benefits of that till date or that would be visible only in the BS VI engine?

**Tarun Khanna:** No, it is being done for BS VI only, not for BS IV.

**Moderator:** Thank you. The next question is from the line of Harshal Patil from Sharekhan. Please go ahead.

**Harshal Patil:** Sir, just one question I wanted to ask you, what would be the share of CNG in the total three wheelers as of now and what do you see it going probably ahead?

- Tarun Khanna:** As I said earlier in the call, last year full financial it was about 50%, tracking around the same level. Quarter on quarter, there is sometimes a variation, so we should not take too much note of the current numbers. This quarter CNG is marginally higher than diesel, but then it could even out going forward. As someone said earlier as well and noted that over the last three to four years, there is a trend line where the CNG is growing higher. Diesel is not growing as high and hence there is a shift happening towards CNG and that may continue.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.
- Rohit Balakrishnan:** I had a similar question to the last participant, if you could just clarify of your overall engines mix, how much would you be giving to CNG engines?
- Neetu Kashiramka:** It is 4%
- Tarun Khanna:** Because we are a small player in the CNG segment as we said earlier, but we are growing on that small base and then the Pinnacle engine that comes in April 2020 will expand our portfolio in the CNG play, so we will have for the small format as well as large format three wheeler vehicles.
- Rohit Balakrishnan:** The other question is in your annual report you mentioned about some twin stroke engine that you are also looking and I think it is for the two wheeler segment, is that understanding correct and if you could just elaborate a bit on that?
- Tarun Khanna:** Is your question on the Pinnacle two wheeler engine?
- Rohit Balakrishnan:** I assume it is Pinnacle, it did not mention in the annual report whether it was from Pinnacle, but I am assuming because they are playing in that space, so I am assuming it is from there?
- Tarun Khanna:** Pinnacle technology, there is also a two wheeler engine available to us and we have licensing and selling right on that engine as per our agreement with Pinnacle, so we are on the lookout for customers and as when we have a customer, we will keep you posted for that. This is an engine that we had actually showcased at the Auto expo as well to showcase proof of technology because the three wheeler engine was still under development.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Nagesh Basavanhalli for closing comments.
- Nagesh Basavanhalli:** Thank you all for attending our conference call and we look forward to talking to you over the next couple of months. Thank you again and have a great day.
- Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Greaves Cotton Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.