

**Greaves Cotton Limited**  
**Q3 FY19 Earnings Conference Call**  
**February 05, 2019**

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**Moderator:** Ladies and Gentlemen, Good day and welcome to the Greaves Cotton Limited Q3 FY19 Earnings Conference Call. From the management we have with us Mr. Nagesh Basavanhalli Managing Director and CEO, Ms. Neetu Kashiramka, CFO.

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 opening remarks are concluded. Should you need assistance during the conference call, please signal an operator by pressing '\*' and '0' on your touchtone telephone. Please note this conference is being recorded. I now hand the conference over to Mr. Nagesh Basavanhalli MD & CEO Greaves Cotton Limited. Thank you and over to you, sir.

**Nagesh Basavanhalli:** Thank you. Good morning everybody. Greaves Cotton is pleased to announce our seven consecutive quarter of profitable growth. The presentation was sent out yesterday night our third quarter financial results are strong and in line with our strategic plan that we laid out about three years ago. In spite of inflationary environment across the industry as you can see we have been able to maintain an EBITDA margin of 14% with clearly some of the newer areas, newer business Cleantech BS-VI solutions as well as new lines of businesses contributing to some of the incremental growth. We are also increasing investments in the last mile mobility solutions supported by very strong network of 250 plus Greaves retail outlets and 5000 plus spares outlet across the country. The company reported a revenue of 13% when you look at 506 versus 447. EBITDA grew by 14%, 71 versus 62. Profit before exceptional items and tax grew by 17% that is 68 versus 58 and there were some exceptional items that I would like CFO to elaborate a little bit more which was there last year and so profit after tax was 43 crores.

With that let me hand it over to Neetu Kashiramka.

**Neetu Kashiramka:** Good morning everyone thanks for attending the call. So presentation is already available with everyone I will not go page by page but just touch upon the key highlights. We are happy to say that from 408 crore on average revenue we are now towards 486 so inching towards the 500 crore. The revenue mix remained slightly lower for engine which is 49 from 50 and others 26% after market at 25. Another important point to thrive is that the new initiative which in FY17 was at 2% is 9% now. It is a 5.4 times growth and a 132% CAGR. On the business overview I will now ask Arun to give you the business update.

**Arun Srivastava:**

On the business update side one of the important things which we have working on is the BS-VI program. So on the diesel side the program is progressing well and we are working along with our OEMs in terms of ensuring that the products are ready in time and in terms of the OEM tie ups we have tied up with all the major OEMs the latest one being Mahindra which has just been closed. As we also see that CNG as a segment is experiencing a significant growth on the three wheeler side so there we have been working with technology solution for two customer segments. One is the semi rural and second is the urban and city segment. On the semi rural side we have a 400CC CNG engine which is in many ways a like-to-like comparison with our flagship diesel product and this segment has been experiencing a significant growth. We have launched a BS-IV products as well which is I think the volumes have almost doubled over the past years and we expect this to continue as the CNG network spreads in the Tier 2 and Tier 3 as well over the period of next five years.

In addition on the urban side where the market is largely a CNG market. We have a new technology the crest technology which we have been working on and this has been mentioned in the past as well. The important part is that from concept this product has moved into reality now it has been integrated with the vehicle and we are in the process of showing this product to various customers and expect to complete in the next four to six weeks and therefore the projects moves into the next phase of development.

In addition if you see the other milestone on the clean technology journey was the ampere acquisition which we closed in the last quarter and the business have also been performing well. And so I think the other important thing in this is ampere has a dominant position in the slow speed vehicle segment and now we are preparing for product launch in the higher speed segment and hopefully in fourth quarter we would be coming out with a higher speed product as well. In addition our journey of expanding beyond India also continues and we have recently tied up with a new OEM for an engine in the international market. On the Greaves retail side this is another key strategic asset which the company is creating and on the multi brand product journey we started with the three wheeler parts now we are further extending our product range into the two wheeler parts and we have launched almost 700 parts in the previous quarter.

On the Greaves retail side now, this network has become a fairly strong network now over 250 plus. This includes around 115 Greaves care outlets as well augmented with ampere outlets and on an integrated basis now what we have started doing in the past three months aligning all these outlets into a unified interface and to leverage the synergy benefits and today the network stands at close to 250. The other important part is on our journey towards becoming increasing B2C thrust we are now touching almost 15,000 customers every month through our Greaves retail outlets. On the other businesses the farm business segment the power dealer experience a good growth of almost 80% in YTD FY19 and this is a market share gain of close to 6%. So those are the broad highlights on the business side.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Priyesh Jain from Yes Securities. Please go ahead.

**Priyesh Jain:** In the presentation when you mentioned new business what all does it comprise of?

**Neetu Kashiramka:** So this comprises of the CNG the other small engine and large engine business applications which we have started and ampere.

**Priyesh Jain:** So if I just look at the numbers year to date number and just subtract the new business revenue your core business seems to be growing at 4% and 5% like 5% growth in 9 months the vis-à-vis the three wheeler growth that we have seen it is far higher, so could you elaborate which segment is seeing subdued growth or possibly even a decline?

**Neetu Kashiramka:** So in the 9% growth you also have ampere which is actually not there in the standalone financials. So that number is 41 crore from that perspective then if you see there is a decent growth around 8% to 9% growth for the regular.

**Priyesh Jain:** The way we generally give the volumes for all the segments it would be great if you could share it for this quarter?

**Neetu Kashiramka:** Yeah, I can share that with you so the volumes for engine is 81,622 versus 79,215, Genset is 1,516 versus 1,096, PK Pumpset is 17,356 versus 16,496, tiller is 655 versus 324 so these are for quarter three.

**Moderator:** We have a next question from the line of Bharat Janani from Sharekhan. Please go ahead.

**Bharat Janani:** My question is basically would you like to give any outlook over some internal targets that you have set in for the ampere next year so at the time of acquisition we had mentioned that we would be breaking even the business by FY20 or so, so are we on track for that and what is the outlook for the same?

**Nagesh Basavanhalli:** I will take the first part of the question and may be Neetu can come in for the financials. So in summary the outlook in the affordable mobility we are quite excited as what we are seeing especially in the lower speed as well as the optimal speed of the higher speed version. The demand and the market needs when we look at where we are at end of the 9-month period we are at 41 crores like Neetu said earlier versus the previous year of about 18 crores for the full fiscal year. So when you look at it we are already running at about 3.5x. We believe this is the market size about people at the bottom of the pyramid affordable mobility which is about 200 million people who will be looking for vehicles. So we believe that the potential to continue on this growth path is strong. We believe that you will be seeing a lot of newer products in this pipeline and you will see a strong Greaves retail integrated outlet which is a combination of both Greaves and ampere bringing in the strengths of both the companies

over the next couple of months. So you are going to see our go to market plans spell out over the next three to six months. Anything on the EBITDA you want to add.

**Neetu Kashiramka:** Yeah it will already breakeven at EBITDA in the current year. So we had promised FY20, but it will happen in 19.

**Bharat Janani:** And PAT breakeven?

**Neetu Kashiramka:** PAT breakeven next year.

**Bharat Janani:** You give the breakup of engine business so can you split for three-wheeler and small commercial vehicle?

**Neetu Kashiramka:** Four-wheeler is just a 6% of the revenue.

**Bharat Janani:** So basically three wheeler business engines you can provide a number separately for this quarter?

**Neetu Kashiramka:** 69097 versus 66,573.

**Bharat Janani:** Last question sir you said in one of your presentation that the incremental business I mean the new business initiatives comprise of the CNG business and the ampere business, what is the contribution that you are foreseeing from the new business in the next financial year some broad-based numbers can help?

**Nagesh Basavanhalli:** So if you look at the trend right. What Neetu just talked about was we have already gone from 0 to about 9% obviously we have some internal goals keeping in line with our strategy business plan and clearly you can expect us to be on this trajectory, but clearly, we are quite excited at the traction that we are getting on some of those new businesses. Case in point, the three-wheeler multi brand spares, the two-wheeler multi brand spares, the Greaves care network, the Greaves retail network, the ampere as well as like Neetu talked about. Some of our traditional engine business now we are beginning to grow whether it is one big customer win on the Indonesian side that Arun talked about earlier or some incremental application opportunities in the non-automotive space as well which were beginning to see tractions. So it is not only automotive but even within the engine space we are trying to diversify between the small non automotive engines for other applications like marine or construction or some of that area also is beginning to see traction. So all of this is in the new business opportunities which are all created in the last two and half years.

**Bharat Janani:** Last question from my side can you share this CNG engine units numbers for Quarter three?

**Neetu Kashiramka:** So for this quarter YTD we have sold around 2,500 for the quarter YTD is 9200.

**Bharat Janani:** Any figure you can share for the corresponding period?

**Neetu Kashiramka:** It was almost half growing at 100%.

**Moderator:** We have a next question from the line of Monami Manna from Arihant Capital. Please go ahead.

**Monami Manna:** Ma'am I just wanted to have idea on the new market share I mean at the C7&G space as of now, what do you see outlook on that because as you know that I mean Bajaj is the market leader as of now, so how is your strategy bearing fruit and what is the outlook going forward since now you are ready with few of your products and there was customer positive feedback also as you have mentioned in your presentation so some light on that?

**Neetu Kashiramka:** So basically if you see on the CNG side in terms of the market share, market share right now is small Bajaj continues to hold a dominant position, but as we said that as the BS-VI regime comes in it is at that point wherein some of our new products will start getting commercialized and we expect a market share increase to happen. On the semi rural and semi urban and rural side places where there is a CNG network there we have already started expanding with our 400CC engine and the numbers Neetu just gave that we have almost doubled our business over the past year or so.

**Monami Manna:** So this number is for semi rural what ma'am shared?

**Neetu Kashiramka:** This is for the bigger CNG engine.

**Monami Manna:** Sir any outlook I mean you do not give guidance but any light on the margin whether it will remain stable or any improvement?

**Neetu Kashiramka:** Yeah it should remain stable within that range what we have been reporting for last three quarters.

**Moderator:** The next question is from the line of Anupam Goswami from SMISF. Please go ahead.

**Anupam Goswami:** My first question is on if you can give some light on the market share of your engine business?

**Neetu Kashiramka:** So it is in the 70 plus percent range.

**Anupam Goswami:** Who are the other competitors in this market?

**Neetu Kashiramka:** Primarily Greaves supplies to most of the OEMs and other than it is Bajaj.

**Moderator:** We have next question from the line of Kunal Shah from Omniscience Capital. Please go ahead.

**Kunal Shah:** I have a question regarding ampere so I just wanted to understand as far as the strategy for the ampere goes in terms of the capacity CAPEX how is the completion fairing and what is the picture out there as far as the ampere goes?

**Nagesh Basavanhalli:** So in terms of the broad level strategy we are working on two sides one is on the product basket and second is the go to market reach, on the product side like mentioned before that we have got a good portfolio of slow speed product it is on the higher side that we are focusing over the past few months and hopefully the first product should be out in fourth quarter. On the market side ampere had a dealership network of close to 75 which we have been increasing plus in addition through our Greaves retail outlet we have almost doubled the market reach and this is another crest area that as the Greaves retail network grows it will be integrated platform for all of the products including ampere so that is on the product side, on some of the competition in terms of the competition the major players for electric two wheelers or Hero electric and Okinawa and players like Essar etcetera operate in a different so we really do not compete on that.

**Neetu Kashiramka:** So ampere is at number two position today.

**Anupam Goswami:** And what about the CAPEX and capacity as far as the ampere goes?

**Neetu Kashiramka:** So as of now the capacity is enough for us to take the company to three times a revenue so we do not need to spend too much. We will be spending more on the new product segment R&D it would not be the relaunch.

**Anupam Goswami:** The other question as far the diesel engine numbers I believe have been going down, so how do we see the transition happening as far as the CNG engines co and the BS-VI engines co, so if you could throw some light as far as what I mean our strategy is very clear that we want to transition but I mean how are we what is the strategy out there as well?

**Nagesh Basavanhalli:** If you recall when we set out the strategic plan, we said it was an and & and strategy. We said it was a fuel agnostic solution wherein we would do diesel plus CNG plus petrol, plus hybrid, plus electrode. And I think if you look at it both in terms of fuel agnostic play. Now we have as we go the CNG volumes are going on 4x on the BS-IV as we are of a smaller base Arun already touched upon that. A point number two is our crest engine which is our newer state of the art technology that we are bringing in from California that is absolutely giving us good results. We had talked about an intent to deliver 25% fuel efficiency now we have a vehicle running with the crest engine which is under demonstration and our customer OEs are doing the demos as we speak that probably will be under demo for the entire month of February, but initial feedback is very positive because initially we had expected a 25% fuel efficiency now

we are seeing a 25% fuel efficiency on a real world vehicle in India on Indian test cycle in our facility right here and the customers are looking at that. So that obviously up a very significant portion of the CNG market for us which along with our OEs we will be able to play over the next couple of years Arun eluded to that. So that is kind of where we believe the strategy along with the products and technology. So our idea of bringing in responsible technology, technology that leap frog wherein we are getting 25% fuel efficiency plus getting significant emission improvement IE we are going to meet or beat BS-VI while not giving a performance. So when you look at the acceleration levels the performance levels of that engine compared that with 25% fuel efficiency if the trade off and that is kind of engine that is running right now on a vehicle and is available for our customers to drive and I will drive now. So that is going on track and we are quite pleased with what we are seeing in the real world. So and then plus we are also transitioning into electric as we already the ampere and some of those other Greaves retail area. So when I look at it and even within the diesel engines what we have realized is in the small engine and the large engines there are adjacent opportunities where the markets like I touched upon earlier marines or construction or larger diesel engines can be sold to others. Yes some of the fuel mix and the diesel side we expect to go down just like we had said two years ago and over a period of time, but that transition as it goes to CNG where it is a large format CNG or the small format CNG we have the products and not just products, but the technology the leap frog will be available in the India market and plus we will also be available in electric. So in that sense diversification strategy is playing out if you look at the numbers in spite of the fact that the diesel and our some of our customers losing some shares in the diesel market we are still seeing the overall engine volume has actually grown and that is precisely the reason for this diversification of newer areas and newer business. So I expect this strategy our strategy to continue to develop. We need to continue to execute flawlessly to our strategy and then as a diversification happens as the consumer and the market preference change we will be ready ahead of time that is kind of where it is.

**Moderator:** We have the next question from the line of Varun Bakshi from Equirus Securities. Please go ahead.

**Varun Bakshi:** Firstly on this Greaves scale outlet you talked about that when you were selling ampere vehicles also from that outlet so have we started that thing and how many outlets are doing that?

**Nagesh Basavanhalli:** Yeah so we have started doing that and I think right now what we are beginning to do is now we are getting to an integrated outlets wherein we are Greaves Care or the service centers plus we are having sales outlets as well which is selling clean mobility solutions in two wheeler and we have also started to selling e-rickshaw. So Greaves retail now is really one of the fastest growing brand for clean mobility solutions and it could be two wheeler electric vehicles it would be three wheelers e-rickshaws, it could be service and spear. So in the automotive terms it is the classic three S wherein you get the sales as well as service type of

operation and we are going to continue on this format in the other markets as well over the next couple of quarters.

**Varun Bakshi:** Are you saying that started e-rickshaw as in from this challenge which ran basically?

**Nagesh Basavanhalli:** We have a couple of brands that we are working with our traded partners.

**Varun Bakshi:** Generally as per I understand these outlets these would be sort of out of the city because three wheeler customer go over there only for servicing and all while ampere would probably be more like a city vehicle. So both the customer class is going to buy ampere will go outside city to purchase it I mean the leadership should ideally be inside a city.

**Nagesh Basavanhalli:** Fair question I think we have looked at in detail and I think Arun from our strategy team will address that.

**Arun Srivastava:** So in terms of ampere customer segmentation if you see there is a segment which is as you said urban segment. There is also a very sizable segment which is in the Tier 2, Tier 3 cities and Nagesh initially mentioned that the real shift will come from almost 200 million people who current do not have access to any sort of a motorized transport and as they move it will be the electric two wheeler it will be also in terms of e-rickshaws and other share mobility platforms in these market and that is where our crest is. These product also find good complementarity with our Greaves retail network because as you said that in the Tier 2, Tier 3 city where the three wheeler population dominates. Over a period of times there will be a multiple products which will start coming in from diesel as CNG network growth it will be CNG then as the electric ecosystem develops it will be the electric two wheeler and e-rickshaws and probably in future the electric autos. So overall if we see all of these products will be uniquely configured to the Greaves retail outlet which is a service backed outlet in terms of products as well as product support.

**Varun Bakshi:** Sir in terms of selling the dealer can directly also buy from OEM so because of your size you think you can get more bargaining power with OEM and from where you get these e-rickshaws and all?

**Nagesh Basavanhalli:** No we are only looking at the clean mobility product solutions we are not focusing on the diesel.

**Varun Bakshi:** In terms of e-rickshaw only so the dealer can directly also buy from that OEM while you coming in between is it because your bargaining power will be higher with OEMs we can probably get better price point with them?

**Nagesh Basavanhalli:** It is also we are working with OEMs in terms of helping them expand their reach and in terms of the bargaining power it is less about bargaining power more about helping them scale up.

**Varun Bakshi:** I missed out how many Greaves care outlet did you have right now and what is the plan going ahead?

**Neetu Kashiramka:** So the Greaves integrated channel is close to 250 right now.

**Varun Bakshi:** What is the plan on that?

**Nagesh Basavanhalli:** The plan is to double it over a period of time.

**Varun Bakshi:** Any timeframe on that?

**Nagesh Basavanhalli:** You have already seen I think we had said we would do 150 by the end of this fiscal we are today at 250. As we look at clusters around the country we look at the customer population, we look at opportunity size, we have grown very rapidly we have shown that we have demonstrated that, we have executed that. So stay tuned as we go forward I think you can expect a similar type of ramp up, but I would not like to give a number or a timeframe right now only because I think we are evaluating these markets certain markets are very strong for two wheeler, certain markets could be very strong for Greaves care so we will come back with a final number maybe in a quarter or so.

**Varun Bakshi:** And lastly any green on Altigreen how is the progress over there I mean when do we think products can come from there?

**Nagesh Basavanhalli:** Altigreen again we had talked about we had done some of the results that you are seeing you have seen mobility was because we had done some of that initiatives when we started well because we try proof of concept with a couple of these company try the technology, we brought in the technology of EV vehicles in the auto export. So clearly, we had the kit ready we are working with. So at the end of the day some of the cleaner mobility solutions in the revenue streams you are beginning to see is the result of what we started and clearly what we will bring to the market is where we believe from a Greaves DNA. The value proposition is there, our customer are going to get their right, total cost of ownership and we can make a profitable business. As and when these businesses reached that level of maturity where profitably we could bring that business to the market we will bring those businesses you are already seeing some of that happen as we speak.

**Moderator:** We have a next question from the line of Bharat Janani from Sharekhan. Please go ahead.

**Bharat Janani:** Just one clarification that CNG number that you provided engines of about 2500 units so that is basically the three wheeler engine or the Lcv engine if you can just clarify on the same?

**Neetu Kashiramka:** It is a larger three wheeler engine.

**Bharat Janani:** And who is the current customer for that?

**Neetu Kashiramka:** Largely Piaggio.

**Bharat Janani:** Another question is on the ampere part so what is the product range in terms of pricing that you currently have when you say a low speed and what is the price point when you say that you will launch a product in probably a higher speed engine so if you can just give some color on that?

**Nagesh Basavanhalli:** We are in the area of affordable mobility and then when we look at it we are anywhere today in the range of 35 to about Rs. 50,000 and that is kind of where we play today. What you are going to start seeing is as we move also to lithium-ion batteries as we move to higher speed vehicle that the team was talking about earlier you can expect that number to go upwards of Rs. 60,000, 70,000 but we do not have a price point in because we have not decided on the market launch for that. As and when I am ready to announce the pricing position for the market we will come back and tell you, but it is fair to expect that it will be upwards of 55,000.

**Bharat Janani:** So basically this will come with a lithium-ion battery is that?

**Neetu Kashiramka:** Yes.

**Bharat Janani:** And just one last question from my side what is the CAPEX plan for FY20?

**Neetu Kashiramka:** FY20 for Greaves is around 75 crores.

**Bharat Janani:** And anything on ampere or anything so 75 includes everything from ampere as well?

**Neetu Kashiramka:** Not ampere, ampere will be 8 crores to 10 crore this year.

**Bharat Janani:** So all CAPEX would be about 85 crore or so?

**Neetu Kashiramka:** Yes.

**Moderator:** We have next question from the line of Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal:** Just few clarification so the CNG engine what we are talking about 400CC you clarified that it is for larger three wheeler which are ideally supplied to Piaggio.

**Neetu Kashiramka:** Today we have a larger engine which is not 200 CC it is a 400 CC, 200 what we talked is the future product which we are working along with the pinnacle and we will be launching along with the BS-VI.

**Manish Goyal:** So that is the crest CNG engine?

**Neetu Kashiramka:** Yes.

**Manish Goyal:** Just to clarify this 400CC engine is for larger three-wheeler correct?

**Neetu Kashiramka:** Yes.

**Neetu Kashiramka:** In smaller cities you see those 6 to 7 seaters.

**Manish Goyal:** No I agree because we were under impression that also basically for four wheeler earlier and so ideally this three wheeler CNG which has been launched is a BS-VI compliant right?

**Neetu Kashiramka:** So these will be launched as BS-VI comes into force next year.

**Manish Goyal:** Today they are BS-IV?

**Manish Goyal:** So right now the demonstration which are going are for the BS-IV?.

**Nagesh Basavanhalli:** When Neetu was giving some of the numbers on the existing CNG engine sales these are for the BS-IV vehicles those also we are upgrading to BS-VI and in terms of the customer demo what we talked about was for the crest program and it is for the BS-VI emission regime the smaller city CNG.

**Manish Goyal:** And again on a clarification of Greaves Care so now we are referring to a number of 250 so is it that this 250 outlets are including the ampere 75 numbers?

**Neetu Kashiramka:** Yes.

**Manish Goyal:** And when you said integrated so all Greaves care retail outlet basically doing services, selling spare parts and electric two-wheeler and electric wheeler?

**Nagesh Basavanhalli:** So that integration journey has started over a period of time that is our expectation we would say that close to 40 Greaves outlets would be selling electric two wheelers as well.

**Manish Goyal:** And we are also started selling electric three-wheeler?

**Neetu Kashiramka:** E-rickshaws.

**Manish Goyal:** And Neetu ma'am if you can please repeat the volume number I missed out completely.

**Neetu Kashiramka:** So engines 81,622 total versus 79,125.

**Manish Goyal:** And three wheeler and four wheeler breakup?

**Neetu Kashiramka:** So three wheeler is 69,097 versus 66,573.

**Manish Goyal:** And can you give me the numbers for agri as well?

**Neetu Kashiramka:** for tillers it is 655 versus 324, pump set 17,356 versus 16,496.

**Manish Goyal:** Okay and diesel?

**Neetu Kashiramka:** Diesel is 2213 versus 3493.

**Manish Goyal:** auxiliary power

**Neetu Kashiramka:** Genset 1516 versus 1096.

**Manish Goyal:** Last question as to you have definitely given as a revenue breakup in terms of engine aftermarket and others, so just want to get a sense is this aftermarket includes the third party multi spares, so what is the level of multi spares quarterly revenue run rate we have reached?

**Nagesh Basavanhalli:** We do not get into the specific details, but when you look at the market size. We have talked about for the three wheeler multi brand a market opportunity we got 150. 1600 crore then we had talked about the two wheeler multi brand spares which was a huge opportunity. The good news is it is beginning to gain significant attraction on the three wheeler multi brand spares right and I do not want to get into the specific numbers right now, but clearly that is a significant jump of our growth coming from the aftermarket business which is growing in double digit and majority of the growth as you know is not coming in the diesel spares parts, it is coming on the multi brand spare parts so clearly the number is becoming significant now.

**Manish Goyal:** So the reason about I was probably looking for is that how is your traditional engine spare parts business growing?

**Nagesh Basavanhalli:** So that is doing well and is probably holding its own and is in single digit growth in line with the industry whereas we are outperforming the competition when you look at aftermarket performance by growing at significant double digit and the majority of the major reason why we are outperforming the competition is because it is coming on the back of a multi brand three wheeler spares, multi brand two wheeler spares are just beginning to take off so it is predominantly coming from there.

**Moderator:** We have a next question from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** Just trying to understand in case of electric two wheeler you guys decide to acquire amperes, but in case of three wheeler you are getting into partnership so if you can just comment on the decision-making progress because I would think that you could actually start making your own three wheeler e-rickshaws?

**Nagesh Basavanhalli:** Our strategy has been very clear even if you look at it right. We said we have brand reach capability as a company then we said we wanted to get closer and closer to a consumer and we said we wanted to organize a unorganized and we wanted to kind of increase the value capture. So when you look at the strategy in how it is playing out I think you are seeing lot of these elements come into place. Regarding the hypothetical about a three wheeler I do not want to comment because today we are very happy servicing our three wheeler customer for our three wheeler diesel engine and that is kind of where we are playing today is some of the cleaner mobility solutions whether it was an electric two wheeler, e-rickshaws where we do not supply to anybody. You are already seeing our Greaves retail getting closer to the consumer and we are getting into it. So I think that is we have a very clear strategy where we are working with our customers on one end and in the other end where we are not working with anybody we are on the cleaner mobility side or electric side we are working with obviously Greaves.

**Moderator:** We have a next question from the line of Priyesh Jain from Yes Securities. Please go ahead.

**Priyesh Jain:** First one Neetu ma'am could you clarify on the 5 crore extraordinary with regards to the IL&FS.

**Neetu Kashiramka:** Yeah in case of IL&FS the maturity date has not come in but since there is a risk what we have assumed is that it will take time to get the money so we have discounted the current holding. The total holdings is 20.5 CR.

**Priyesh Jain:** Ma'am what is the current stake in ampere?

**Neetu Kashiramka:** 67%.

**Priyesh Jain:** It will be consolidated line by line and minority would be given at the end of the year that would be the accounting?

**Neetu Kashiramka:** Yeah correct.

**Priyesh Jain:** With regards to crest engine and you have spoken about the mileage benefit is around 25%, any indication on the cost print as to these engines are at costing similar to the current engines in the market or their expenses and by what range in their expenses?

**Nagesh Basavanhalli:** I will take that question I think as you know Greaves is very focused on the total cost of ownership the value proposition we offer because at the end of the day we know our customers have to put food on the table and for them the cost per kilometer is very important. Having said that we do not have the final costing because we are still in the [44:08] demonstration phase with our customers right now which is going well like I said before, but we expect the value proposition to be significant enough wherein even if there is

a small increase in cost vis-à-vis the IC engine technology because of the superior performance. We will offer 25% fuel efficiency and hence the total cost of ownership we believe will be far superior to a conventional engineering.

**Priyesh Jain:** And sir on the e-rickshaw front when did we start selling these e-rickshaws and in which markets are we selling them right now?

**Nagesh Basavanhalli:** So we have started selling over the past quarter and primarily it is happening in the northern and eastern markets which are the strong areas for these products. And again it is the strength of Greaves retail we have always talked about brand and now we have the reach with the 250 outlets plus the 5000 spares outlet which immediately gives us access and reach a network and hence over a period of time we are going to sweat these assets and that is kind of the intent. While the primary purpose is clearly Greaves two wheelers and Greaves service we will sweat these assets as and when we see an opportunity.

**Moderator:** We have a next question from the line of Varun Bakshi from Equirus Securities. Please go ahead.

**Varun Bakshi:** On this diesel engine for BS-VI compliant engine how much cost increase you see when you migrate from BS-VI and we also supply for a small commercial vehicles like BS-VI how much cost increase can happen over there just want to compare within the two?

**Neetu Kashiramka:** So as of now it will take another three, four months for us to get to the cost because yet we have not finalized the BOMs. We have to work with the OEMs and decide as to the structure and the components for the engine. So it will maybe take three to four months for us to meet the exact cost numbers.

**Varun Bakshi:** But any color on whether the cost increase of three wheeler would be more or less than what will happen in case of small commercial vehicles?

**Neetu Kashiramka:** See engine is only 15% to 20% of the cost of a vehicle so even if this goes up it is not that the vehicle will also considerably go up so let us I think next three to four months we should have a color on this.

**Varun Bakshi:** And we also have launched this electric pumps so how is the progress over there because our oral pumps volumes are kind of flattish or declining over the last month?

**Neetu Kashiramka:** Electric pumps are doing good for the quarter we have sold around 9000 pumps from nothing in last year in YTD it is 14,000 because it was launched only in quarter two we started selling from quarter two so 14,000 for 9 months.

**Varun Bakshi:** 9000 in the current quarter itself and generally how is the relation for these pumps on an average?

**Neetu Kashiramka:** The realization is actually much lower as compared to the PK pumps or others.

**Varun Bakshi:** Roughly in what range?

**Neetu Kashiramka:** It is very small number.

**Nagesh Basavanhalli:** We are just starting this business and as the business grows then we can talk more about it, but it is clearly part of our diversification strategy.

**Varun Bakshi:** And these are sold through the same channel as your petrol pumps?

**Neetu Kashiramka:** Same channel.

**Varun Bakshi:** And lastly on this CNG engine that you are developing for BS-VI application, so any [48:11] in terms of customer addition?

**Nagesh Basavanhalli:** I touched upon it earlier let me repeat. So we have always been talking about a superior performance now we have alpha stage engines at the prototype phase physically built both in California and in our factories and those engines have been put into three wheelers. These three wheeler are running on the ground in Indian duty cycle conditions and our customers one by one are evaluating that. Initial feedback has been quite encouraging and quite positive to be frank wherein the 25% fuel efficiency improvement that we had envisage is the reality. So I think good first impression clearly we will work with our OEs over the next one to three months and we will update the analyst community as and when we have more news report.

**Varun Bakshi:** And on a Genset side I mean we are growing quite well for last 32 years now how is the market doing basically in that segment and any color or future plans over there we had launched the larger Genset as well?

**Neetu Kashiramka:** Genset market is relatively flat so in that sense we are outperforming the market.

**Neetu Kashiramka:** Yeah there is a gain of market share and future plans we are going to launch higher scaling in Genset more than 500. So in the past we were only into 40 to 500. Now we are moving from 500 to upward up to 1200 kv.

**Varun Bakshi:** This volume growth it is coming is it because of the network expansion that is helping or there is a shift towards larger KV.

**Neetu Kashiramka:** It is a mix of all as of now the larger KV is a very small component.

**Nagesh Basavanhalli:** So it is more the network expansion the targeted business development activities that the teams are going after and they are going micro market after micro after and going after region by region market share of Greaves that is what they are doing right now.

**Moderator:** The next question is from the line of Anupam Goswami . Please go ahead.

**Anupam Goswami:** Ma'am you mentioned about selling e-rickshaws we have already started selling that so what kind of margins we can make from there?

**Neetu Kashiramka:** So as of now it is a traded product and it is just we are testing the proof of concept so maybe margins are much lower than the company averages, but over a period of time it will move upwards?

**Anupam Goswami:** Any target we have on this like what kind of margin we can make?

**Nagesh Basavanhalli:** So I will take a step back here if I can jump in here I think like I said Greaves retail is a strategic asset for us. We have 250 outlets we have 5000 spares

shops across the country. The reach and the capability that we are bringing in to each one of these center is immense. It will be both a sales outlet and the service outlets. Service outlets means the mechanics are trained not only in diesel but in CNG and electric. It will have infrastructure ready as and when the markets wants in terms of electric charging infrastructure in some place or so. We are looking at this holistically and in sales we will obviously use a primarily to sell ampere, we are also going to be doing some traded place like I said to sweat the assets and improve throughput and improve the profitability or the viability of our franchise partners. So parallel we are also going to be doing spear sales and service out of these. So when you look at it look at this holistically as Greaves retail outlet and it is a multi branded Greaves retail output that is kind of how I would put to. So I would not like to get into specific of margins for this versus that look at it holistically about store by store growth, store by store revenue, store by store viability, how we are doing what are some of the people who have been before. So I think that is how I would look at it and I think the encouraging sign is our dealers are increasingly viable in a very short period of time, we have more and more people lining up to become partners in the screen retail so that should probably give you an indication of where this was headed.

**Neetu Kashiramka:**

And to add as a company we are not going to compromise on the overall margins. Will we be maintaining margins in the range of 14% to 15%.

**Moderator:**

Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Nagesh Basavanhalli for closing comments. Sir, over to you.

**Nagesh Basavanhalli:**

Okay thank you all and like we committed a couple of years ago as part of our strategic business plan. We said one of the biggest things I used to hear was 1212 to 1216 lack of growth, 2016 onwards you have seen growth 7 quarters in a row. Whatever the management team has been talking to you, you are seeing some of the actions comes through, newer initiatives are on track. We will continue to keep executing flawlessly because that is what we

expect to do for our shareholders. With that thank you again for all of your time. We appreciate your time today and we will be in touch.

**Moderator**

Thank you. Ladies and Gentlemen, on behalf of Greaves Cotton Limited this does conclude today's conference call. Thank you for joining us and you may now disconnect your lines.