GREAVES SINCE 1859

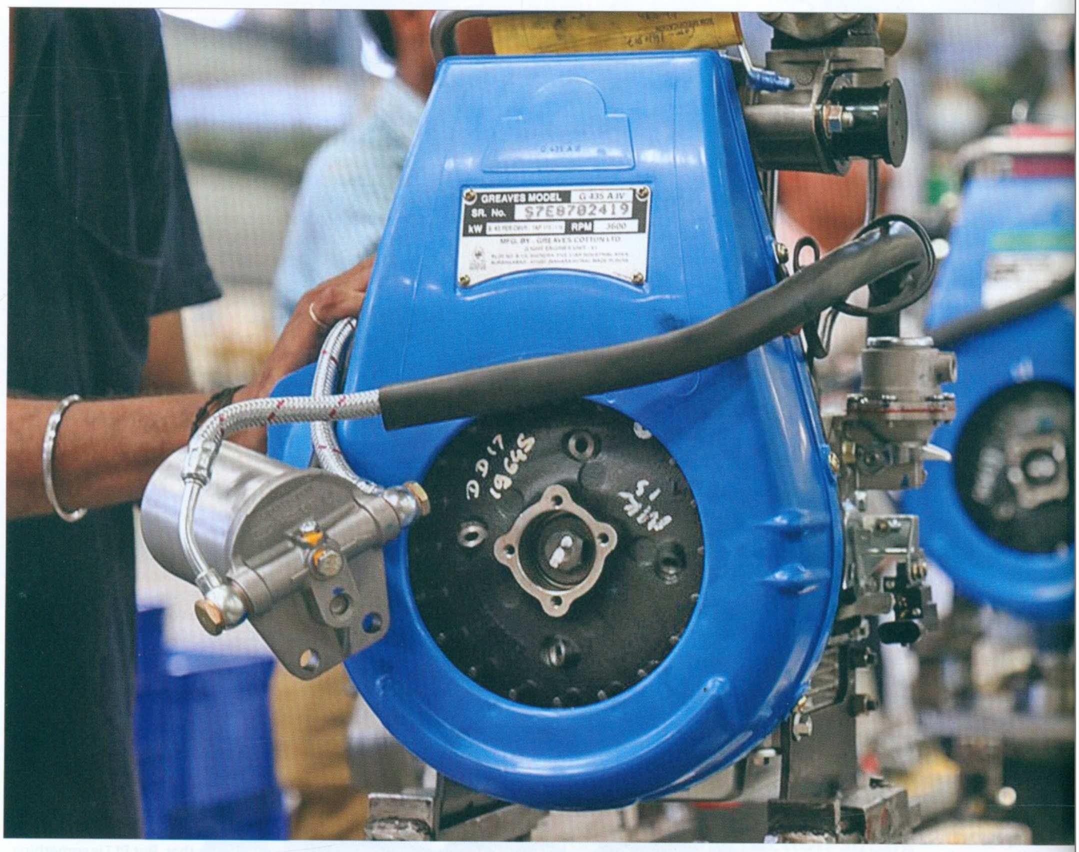
impact
www.impactmeasurement.co.in

AUTOCAR professional

National - Dec 15, 2024

Page No: 192
Page Name: n.a.
Size: 2642 sq. cm
AVE: INR 359,261
Type: Magazine
Language: English
Circulation: 37,500
Frequency: Fortnightly

News monitored for: Greaves Cotton



POWERING THROUGH DISRUPTION: GREAVES COTTON'S EVOLUTION STORY

The engineering specialist embarked on an ambitious transformation from a diesel engine player to a comprehensive mobility solutions provider. Report by **Shahkar Abidi** and **Ketan Thakkar**.

In the turbulent years of 2016 and 2017, India's automotive sector found itself amid a sweeping transformation. A combination of government directives, rising environmental concerns, and global economic unrest had created the perfect setting for industry-wide disruption. Greaves Cotton, an industrial stalwart since 1859, was neither untouched by nor unaware of these changes, and faced some hard choices. At the time, Greaves Cotton was seen as a diesel engine specialist primarily for last-mile mobility, especially three-wheelers.

Later, in an address to stakeholders, Karan Thapar, Chairman of the group, alluded to these regulatory and policy changes, and their impact on the company's own plans and ambitions: "What steered this positivity during FY17, and promises to continue to propel growth in the coming years, is our strategic direction, which is defined by the changes in the macroeconomic environment."

There was context to these regulatory developments. The Indian government's decision to fast-track BS VI emission standards by three years rattled the industry. New vehicle safety regulations, a ban on diesel vehicles in

GREAVES
SINCE 1859

impact
www.impactmeasurement.co.in

AUTOCAR professional

National - Dec 15, 2024

Page No:	193	Type:	Magazine
Page Name:	n.a.	Language:	English
Size:	2642 sq. cm	Circulation:	37,500
AVE:	INR 359,261	Frequency:	Fortnightly

News monitored for: Greaves Cotton

Delhi, and increasing discourse around electric mobility added to the pressure. Moreover, other factors, such as demonetisation and the rollout of the Goods and Services Tax (GST), and global uncertainties like Brexit and a contentious U.S. presidential election, also contributed to the unease.

The company had to chart a new course in connected, shared, and electric mobility that would protect it from future disruption. At the same time, the company was doing quite well financially. In FY17, it reported operating revenue of Rs 1,819 crore and net profit of Rs 181 crore, while its net

"LOOK AT APPLE. THE MOST VALUE IS CAPTURED NOT BY THOSE WHO MANUFACTURE THE PRODUCT, BUT THE ONE WHO OWNS THE RELATIONSHIP WITH THE CUSTOMER AND CONTROLS THE ECOSYSTEM."

Nagesh Basavanhalli
Non-Executive Vice Chairman, Greaves Cotton

worth stood at Rs 921 crore. However, these numbers masked a deeper issue: Greaves Cotton, like so many legacy manufacturers, had to redefine itself. The writing on the wall was clear: Pivot towards a future shaped by technological innovation or risk obsolescence.

Acknowledging the need for change, Greaves Cotton decided to bite the bullet. It embarked on a strategic overhaul and decided to shift from its diesel-engine focus to a broader, more fuel-agnostic approach, as noted by Thapar at the time: "We have initiated steps to establish Greaves as a leading fuel-agnostic powertrain solutions and services company."

Central to this transformation was the appointment of Nagesh Basavanhalli as CEO and Managing Director. A veteran of multinational corporations, private equity, and family-owned enterprises, Basavanhalli had spent over two decades at Fiat Chrysler Automobiles (FCA), where he earned a reputation for strategic thinking and operational sharpness. Basavanhalli had a strong understanding of technology, especially in the context of emerging markets—including India and China—where he had laid the groundwork for FCA's success. At Alliance Tyre Group, he transitioned the company into a private equity-led entity, culminating in a successful exit.

Basavanhalli brought in new blood, including Kartik Gopal, formerly of electric vehicle pioneer Reva, and Ravi Damodaran, former President of Technology and Business Strategy at the Varroc Group. Together, this new leadership aimed to transform Greaves Cotton for the future.

Basavanhalli's strategic insight captured the urgency: "I think the board was very clear that there was a lot of disruption, and we needed to think ahead." His perspective reflected the consensus that the auto industry was undergoing a shift on a scale not seen since the transition from horse-drawn carriages to Henry Ford's Model T. He knew that change, when it comes, does so with the force and speed of an S-curve—rapid and irreversible.

Faced with this reality, Basavanhalli and his team spent the early months of their tenure reimagining Greaves Cotton's future. Historically a diesel-engine-driven B2B company, Greaves Cotton thrived by selling to automotive OEMs. But the question now was: How does the company de-risk that? How does it expand from a B2B to a B2B2C model without abandoning its roots?

For Basavanhalli, the answer was clear. Moving beyond auto component supply, Greaves now provides services across the entire value chain. Rather than choosing between B2B and B2C, the company was evolving to embrace both.

Basavanhalli saw a powerful lesson in Apple's model of outsourcing production while maintaining direct consumer relationships. "Look at Apple. Look at who manufactures the product and who ultimately captures the most value."

For Basavanhalli, Apple's model, owning the relationship with the consumer while outsourcing production, served as a potent reminder that it was not the manufacturer that always reaped the largest rewards, but the brand that controlled the ecosystem. In Greaves Cotton's case, the closer it could get to end consumers, the stronger its position would be in a world where technological disruption and changing mobility patterns were

AUTOCAR professional

National - Dec 15, 2024

Page No:	195	Type:	Magazine
Page Name:	n.a.	Language:	English
Size:	2642 sq. cm	Circulation:	37,500
AVE:	INR 359,261	Frequency:	Fortnightly

News monitored for: Greaves Cotton

The company has traditionally focused on the diesel market.

rewriting the rules faster than ever before.

During this period of industry-wide uncertainty, Greaves Cotton was striving to navigate a future where disruption wasn't merely a threat, but an opportunity.

Diversification Impact

Seven years later, Greaves Cotton operates five distinct business units, each focused on distinct areas, together generating a consolidated annual revenue exceeding Rs 3,000 crore. While the diesel engine business remains core to operations, the company has diversified into CNG, multi-fuel systems, and electric propulsion. Its diversification has been strategic, driven by acquisitions like Excel, a company specialising in motion control linkages, which transformed Greaves Cotton's engine division into a broader components business. Now, the company serves not only automotive manufacturers but also sectors such as construction, marine, and defence.

Greaves Cotton's focus on profitability remains unwavering throughout this transition. Diesel's share of the business has gradually declined, while CNG and electric components have grown. The company's retail operations have also expanded through an asset-light franchising model, leveraging its extensive network of retailers and mechanics to service a growing fleet of vehicles.

The company, while cash-rich and debt-free, has been strategic in allocating resources to engines, powertrains, and its electric mobility division, Ampere. Capex, which amounted to over Rs 150 crore annually, remained focused on areas where technological innovation could yield competitive advantages.

Greaves Cotton's plan to execute this ambitious transformation, according to Basavanhalli, lies in leveraging the company's core strengths—engineering, manufacturing, and supply chain management. Take, for instance, the Ranikhet plant, which leadership considers exemplary in terms of capital efficiency. Though it lacks state-of-the-art automation, it produces high-quality products and is managed by a predominantly female workforce.

"We're focused not just on expansion but on ensuring profitable growth," he notes. Equally central to the company's vision is its role in building an ecosystem. Moving beyond auto component supply, Greaves now provides services across the entire value chain, from mechanics and spare parts to financing options like electric two-wheeler loans. "It's not just about being a system or component provider anymore—we're building a comprehensive ecosystem."

Basavanhalli credits his senior leadership for driving this transformation. "Rome wasn't built in a day," he muses, adding that the company's gradual, deliberate approach is beginning to bear fruit.

Spreading too Thin?

There are concerns that Greaves might be spreading itself too thin as it aims to push revenue significantly beyond the current Rs 3,000 crore. However, Basavanhalli remains resolute, pointing to clear pillars for growth: new product development, geographical expansion, and diversification into new sectors. Returning to the example of Excel Controlinkage's acquisition, which Greaves completed about a year and a half ago, he remarked: "When we acquired the company, it had an annual revenue of around Rs 160 crore. By the end of the first year, we nearly doubled that to Rs 277 crore, representing growth of over 40%." This success, he explains, was driven by expanding Excel's product line and reaching new customers and geographies, with 40% of the business now focused on exports.

IN SEARCH OF SYNERGY

Greaves Cotton, a strong player in India's automotive landscape, is planning to integrate its various subsidiaries and business arms to streamline its operations. K Vijaya Kumar, Executive Director and CEO of Greaves Electric Mobility, said the idea is to infuse cohesion across the supply chain, engineering, and marketing and achieve cost and efficiency gains.

"First is synergy. The second is product innovation and technology. The third is the complete engineering piece of it. The fourth one is, I would say, after-sales service and spare parts," Kumar said in an interview with *Autocar Professional*.

"There's a lot of work to be done, but we are very highly focused on it," he added, without going into details.

Founded over 165 years ago, Greaves Cotton has carved a niche for itself as a diversified engineering enterprise, spanning fuel-agnostic powertrain solutions, electric mobility, aftermarket services, and retail.

As part of its growth strategy, the company recently acquired Excel Controlinkage Pvt Ltd, a leading supplier specialising in motion control solutions for domestic and international original equipment manufacturers (OEMs). This acquisition bolsters Greaves Cotton's capacity to deliver future-ready technologies across markets.

Greaves Cotton holds a 60% market share in three-wheeler diesel engines.

Rs 3000 cr
Total revenue generated by the Greaves Cotton group.

Rs 150 cr
Greaves Cotton's annual capital expenditure budget.

14,000
The number of EVs sold by Ampere every month during its peak.

GREAVES
SINCE 1859

impact
www.impactmeasurement.co.in

AUTOCAR professional

National - Dec 15, 2024

Page No: 197
Page Name: n.a.
Size: 2642 sq. cm
AVE: INR 359,261

Type: Magazine
Language: English
Circulation: 37,500
Frequency: Fortnightly

News monitored for: Greaves Cotton

Excel, particularly with its entry into the construction and highway sectors, was a new frontier for Greaves, allowing the company to leverage its core competencies in engineering and manufacturing. Greaves Retail, another major area of focus for Greaves Cotton, has also evolved significantly with the rise of digital technology.

Today, auto mechanics can recommend insurance products, facilitate two-wheeler purchases, and connect customers to UPI payment platforms.

The company scaled back its EV business to reduce losses, despite 14,000 monthly unit sales at one time.

EV Opportunities

This digital shift has created vast opportunities, particularly in the booming two- and three-wheeler market segments. To capitalise on this, Greaves has made strategic investments in electric mobility and fintech. The company's focus is on the mid-range price segment of Rs 80,000 to Rs 100,000. "As the market grows from 20 million to 30 million units, we're positioning ourselves for that expansion," he explains.

Once a top-three player with the Ampere brand, the company faced intense pressure both from legacy players like Bajaj Auto and TVS Motor with their large budgets, and from well-funded newcomers like Ola and Ather. This challenge came while the company was working to secure a FAME subsidy from the Government of India. "We have our own playbook," Basavanhalli quips, acknowledging that though Greaves once sold around 14,000 units a month, it chose not to scale rapidly to avoid losses. The board remains supportive of its electric mobility efforts, and Greaves has secured additional funding to accelerate its initiatives, including an IPO, which is on the cards.

In the internal combustion engine space, Greaves has worked to build strong internal capabilities for powertrain parts. Basavanhalli says Greaves has partnered with a European firm that has ready designs for motors and controllers, helping the company achieve vertical integration. The company will use this division to address market needs while building scale.

Meanwhile, the company still holds a 60% market share in three-wheeler diesel engines. It is actively exploring retrofitting existing three-wheelers with electric or hybrid powertrains. While the infrastructure exists, achieving commercial success remains elusive. Convincing customers to invest in necessary retrofits has proven challenging. "The business model needs to be proven," Basavanhalli admits, acknowledging that success hinges on demonstrating a clear return on investment for drivers.

FAME II Investigation

After being caught up in the Government's FAME subsidy investigation for not meeting norms and having to refund Rs 124 crore to the center, Greaves claims to have learned from the episode and emerged stronger.

The investigation, conducted under the Faster Adoption and Manufacturing of Electric Vehicles (FAME-II) scheme, revealed that Hero Electric, Okinawa Autotech, Benling India, Revolt Intellicorp, Amo Mobility, Lohia Auto, and Greaves Cotton had failed to meet the prescribed localisation norms.

Basavanhalli refrains from being drawn into a discussion, but says the company faced numerous challenges in its early phase of operations and has adapted fairly well. "We've consistently emphasised the need for capital efficiency and fixed-cost management," Basavanhalli reflects. He believes that navigating a significant downturn after rapid growth has led to a more cautious approach, positioning the company for sustainable long-term success.

Basavanhalli feels he has laid a strong foundation for Greaves to move to the next stage and has decided to transition to a non-executive role as its vice chairman. As he contemplates his eventual departure from the helm of Greaves Cotton, the success of these diversification moves will define the next few decades for a company that has been thriving for over 125 years. If the plans he has crafted for the future prove successful, he will have truly left his mark, guiding Greaves into a future that combines its rich heritage with the demands of a new era.

"WE SEE OURSELVES AS A MULTI-BRAND, FUEL-AGNOSTIC SPARE PARTS DISTRIBUTOR, SOMEWHAT AKIN TO GRAINGER IN THE UNITED STATES."

Narasimha Jayakumar
CEO, Greaves Retail

Spare Parts Retail

Meanwhile, Greaves Retail, a modest but highly profitable arm of the 165-year-old Greaves Cotton, is establishing itself in India's organised automotive and industrial spare parts market. Despite limited local competition, the company aims to rival global distribution giants such as Grainger Inc., a NYSE-listed leader in parts supply operating in the U.S., Japan, and UK.

As a multi-brand, fuel-agnostic distributor, Greaves Retail supplies a broad spectrum of components for commercial vehicles across various sectors. While competing in the Indian market alongside companies such as MyTVS and Bosch's automotive parts division, Greaves positions itself more in line with U.S. counterparts such as Grainger in terms of product range and service model—albeit with a firm focus on the Indian market.

"We see ourselves as a multi-brand, fuel-agnostic spare parts distributor, somewhat akin to Grainger in the U.S.," Narasimha Jayakumar, CEO of Greaves Retail says. However, a critical distinction in Greaves' model is its exclusive focus on commercial vehicles, both on-road and off-road. Greaves focuses exclusively on industrial assets where uptime directly affects livelihoods.

As Jayakumar explains, "We don't cater to

AUTOCAR professional

National - Dec 15, 2024

Page No: 199
Page Name: n.a.
Size: 2642 sq. cm
AVE: INR 359,261

Type: Magazine
Language: English
Circulation: 37,500
Frequency: Fortnightly

News monitored for: Greaves Cotton

EVFIN: FINANCING INDIA'S EV TRANSITION

EVFIN, THE LENDING subsidiary of Greaves Cotton, has set an ambitious plan to scale its operations in India's burgeoning electric vehicle (EV) sector. The company plans to reach a portfolio of 500,000 financed electric two-wheelers over the next five years, a significant increase from its current base of approximately 12,000 units. Eventually, evfin wants to serve up to 80% of the EV two-wheeler financing market by establishing a presence in 150-160 cities, up from 42 cities today.

Evfin wants to quadruple its coverage from 42 cities today.

Expanding Services

According to P B Sunil Kumar, CEO of Greaves Finance, evfin's strategy emphasises a comprehensive service offering that differentiates it from competitors, including banks and traditional non-banking financial companies (NBFCs). evfin is transitioning from a financing platform and building a market place that will include insurance, after-sales services, access to charging stations, and others.

To address consumer apprehensions regarding EV ownership, evfin introduced several unique financing products. These include SmartFin and RightFin, which offer buyback options for customers concerned about resale value, as well as zipFin for short-term, low-interest loans, and EcoFin as a standard financing option. Kumar noted that these products provide flexibility and financial security for customers, aiming to build trust and drive EV adoption.

Digital Efficiency

Evfin's streamlined digital financing model is central to its growth plan. The platform enables loan approvals in as little as 2.5 minutes, with loan disbursements following within 4-5 hours. Kumar highlighted the role of speed in attracting customers, noting, "The faster turnaround is the key." Rebranded in 2023, evfin has disbursed loans worth over Rs 100 crore and currently manages assets exceeding Rs 150 crore.

Partnerships with leading EV manufacturers support the platform's growth, including Ather Energy, Greaves' own Ampere, Hero MotoCorp's Vida, OLA Electric, Bajaj Chetak, River Mobility, and TVS iQube, covering nearly 90% of India's EV two-wheeler market.

Credit Quality

In a competitive market, evfin maintains a tight focus on credit quality. The platform maintains a "bounce rate" (or missed payment rate) of less than 5%, well below the industry average of around 15%, enhancing its attractiveness for cautious investors. Additionally, evfin's lending rate, with an internal rate of return (IRR) of approximately 16.7%, is lower than the industry average of 19-21%, a factor that helps attract price-sensitive customers without sacrificing credit quality.

Evfin is enhancing its financial partnerships as part of its growth strategy to act as a financing hub for the EV sector. Through collaborations with other NBFCs and banks, the platform allows for diverse funding options, provided customers consent. This model could increase the availability of EV financing, contributing to India's EV adoption efforts by making financing more accessible.

personal vehicles. Our priority is to ensure uptime for commercial vehicles such as lorries and cranes, where downtime directly impacts revenue and livelihoods."

In recent months, Greaves has expanded beyond the traditional three-wheeler parts market, now offering components for two-wheelers, electric vehicles, and construction equipment. Notably, the company's electric vehicle offerings have grown to include motors, controllers, and chargers, with new agreements signed with several leading OEMs. The construction parts business has grown, strengthened by the acquisition of Excel Controlinkage, which supplies key components to OEMs Tata and Hyundai.

India's automotive parts market shows significant growth potential. At the close of FY24, the sector was valued at approximately USD 74 billion, with aftermarket alone accounting for over 20% of sales. Industry forecasts suggest the market will grow at a compound annual growth rate (CAGR) of 25.7%, reaching USD 115.79 billion by 2028, driven by rising vehicle demand, particularly in the compact SUV segment, and supportive government policies.

Greaves' expansion into electric vehicles is particularly notable, given the surge in electric three-wheelers such as e-rickshaws across India. Following an "Intel Inside" approach, Greaves supplies critical components whilst leaving vehicle manufacturing to others. The company has developed partnerships with over 40 OEMs and 200

$74 bn
Size of India's auto parts industry.

$116 bn
India's autoparts industry size by 2028.

20%
Share of aftermarket sales in total autoparts market.

aftermarket distributors, distributing its products through a vast network of 20,000 mechanics and 10,000 retailers.

Greaves has also embraced digital innovation. Its loyalty programme for mechanics encourages the use of genuine parts by offering rewards through a mobile app. Jayakumar recounts an anecdote illustrating its success: a mechanic was able to pay for his daughter's wedding using points accumulated through the programme.

This initiative is also key to the company's strategy to combat counterfeit parts—a persistent issue in the market due to the influx of cheaper—lower-quality imports from China.

The construction equipment sector presents another opportunity for Greaves. India's ongoing infrastructure boom has spurred demand for spare parts for machinery such as cranes and cement mixers. With the acquisition of Excel Control Linkages, Greaves has made a strong entry into this largely unorganised market, where demand is growing for high-quality, domestically-produced components.

Internationally, Greaves is steadily enhancing its export footprint. The company now exports to over 19 countries, including Bangladesh, Sri Lanka, and regions in East Africa, where Indian-origin commercial vehicles are prevalent. By leveraging its strong brand heritage, extensive distribution network, and digital initiatives, Greaves Retail aims to compete not only with domestic rivals but also to challenge global giants like Grainger Inc. in the future. ■