



**Greaves Cotton Limited**  
**Q2 FY 2017 Earnings Conference Call**  
**November 10, 2016**

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**Moderator:** Ladies and gentlemen, good morning and welcome to Greaves Cotton Limited Q2 FY 2017 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and 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 '\*' then '0' on your touchtone telephone.

I would now like to hand the conference over to the Managing Director and Chief Executive Officer of Greaves Cotton Limited. Thank you and over to you, Sir.

**Nagesh Basavanhalli:** Thank you, good morning, everybody, a great November to all of you. Thanks for joining the earnings call today. Let me get started here.

From an overall perspective the economic environment continues to be tough. However, we did witness growth in revenues in the second quarter of fiscal 2017 compared to the same period last year. This is a continuation of growth trends in revenue terms that we witnessed in the last quarter of the previous fiscal as well.

EBITDA margins continue to remain healthy, we have grown to 14.3% in Q2 fiscal 2017 from 13.6% in the previous quarter.

Now let me say a few words about a couple of our businesses, engine business as communicated earlier we are ready for BS-IV, the teams have been working very hard and we continue to work with our customers towards BS-VI as well, and getting ready for BS-VI for the future. We are continuing to focus on customer development and customer focus as we go forward in the engine business.

Coming to the agri business, with the revival in the agri sector we have lined up a range of products that we will be launching over the course of time and in due course we will be discussing that as and when we get closer to it.

In terms of the auxiliary power business we had adopted a focus state strategy that was part of our go to market plan and this has started giving us dividends and as you can see with the numbers and the growth that shows as well.

Coming to the aftermarket business it is a key growth area under the Greaves brand. We have started offering range of parts that meet the requirement of the major brand for three wheeler, commercial and passenger vehicles. Of course, this leverages our strengths in both sourcing and distribution across the country. We continue to roll out additional products. We are encouraged by the repeat orders that we are seeing. Shifting gears here, on the operational front, we continue to focus on the material cost production and our value engineering efforts, this is very important for us, as we maintain tight control over our overheads and push towards healthy EBITDA margin as we go forward into the future.

With that, let me hand over the phone to Mr. Barasia, who will take you through the financial results of this quarter. Over to you.

**Narayan Barasia:**

Thank you very much Nagesh. Very good morning and thank you very much for joining this quarterly earnings call. Let me take you through the financial results for Greaves Cotton Limited for the second quarter of FY 2016-2017.

Income from operations for the company for the quarter is recorded at Rs. 489 crore as against Rs. 473 crore in the same period last year thereby recording a growth of 3.4%. This sequentially, is a growth of 9.8% compared to quarter one of 2016-2017.

EBITDA for the quarter ended September 30th, 2016 is Rs. 70 crore as against Rs. 76 crore for the same period last year. This reduction in the EBITDA is due to one-time expenditure and provisions which are non-recurring in nature. Consequently the profit after-tax for quarter two is Rs. 51 crore as against Rs. 55 crore for the corresponding period last year.

At this point of time, let me open it up for your questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the Question-and-Answer Session. We have our first question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

**Ashutosh Tiwari:**

Sir, you mentioned that other expenses is one-off what are the quantum of that and what it was towards?

**Narayan Barasia:**

So, it was about Rs. 8 crore and it was largely because of the provision of one bad debt we need to make. On conservative basis we made a provision because there was some signs that this money may not get recovered?

**Ashutosh Tiwari:**

Sorry, I missed what it was towards?

**Narayan Barasia:** So, it was largely towards provisions for doubtful debt.

**Ashutosh Tiwari:** Doubtful debt and this is related to your infra or automotive?

**Narayan Barasia:** It is towards farm debtors.

**Ashutosh Tiwari:** Okay. And secondly, can you share the volume numbers for this quarter for different segment?

**Narayan Barasia:** Yeah, so, for three-wheeler we had a 80,000 unit and it was same in the quarter two of last year as well. So, good thing the de-growth has now got contained. Four-wheeler, the de-growth continued from 11,000 last quarter, quarter two to 8,000 in this quarter two. The pumps has grown quite well from 21,000 in quarter two to 25,000 in quarter two of this year.

**Ashutosh Tiwari:** Okay. And gensets and tillers?

**Narayan Barasia:** Genset was about 500 genset quarter two of last year and 800 genset quarter two of this year.

**Ashutosh Tiwari:** And tillers?

**Narayan Barasia:** Tiller was flat for 1,000 tillers for quarter two last year and 1,000 tillers for this quarter.

**Ashutosh Tiwari:** So, in genset what is driving this growth, there is a very sharp growth which we saw.

**Narayan Barasia:** We have maintaining in this concall that we are investing a lot of energy in developing our service infrastructure and improving our penetration on the ground so, both of this has helped us to get a good growth on the ground.

**Ashutosh Tiwari:** So, sir, in the genset is it coming from the different segment which we have earlier present into or the same segment?

**Narayan Barasia:** No, it is across so, we are from 5 kVA to 500 kVA so, we are getting growth all across the segment.

**Moderator:** Thank you. We have our next question from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

**Bhalchandra Shinde:** Sir, regarding this current government application of demonetization of Rs. 500 note and Rs. 1,000 note, as we do a larger number of agri pump sets and power tiller and other business which are on cash and carry what kind of effect you see from the dealers side and do we see near-term to mid-term impact on sales because of all these things?

**Narayan Barasia:** So, let us talk strategy, so farm mechanization in India is very low today and the labour cost in farm is going up so, mechanization is going to improve, we are very-very low as compared to

any country you talk about it. So, mechanization is going to grow. Government is putting a lot of efforts and energy in terms of subsidy, in terms of local activations to drive mechanization. The subsidy status also with the farmers is improving because of direct benefits to the farmer's account. So, in terms of demand, in terms of need, in terms of product relevance, it is absolutely rightly placed. So, we do not see that on a mid-term to long-term we will have any impact in terms of the growth of the farm business.

**Bhalchandra Shinde:** But sir, if at all actually Rs. 500 notes and Rs. 1,000 notes are not allowed so, overall liquidity crunch will be there because small farmers and mid farmers may delay their buying proposition. So, it will not affect your sales or there is enough trade inventory at the dealer's level because of the festive season?

**Narayan Barasia:** See, most of these tillers are financed, okay and since these are already financed there is a farmer's contribution and there is bank's contribution, treasury is in place. All these transactions are above the board. So, we do not see a currency circulation have any bearing on the business. Anything to do with 15 days - 20 days impact is a different thing all together but on a quarter, on a year we do not see any impact.

**Bhalchandra Shinde:** And for agri pump sets?

**Narayan Barasia:** Even for agri pump sets so, this is again a very subsidy led business isn't it?

**Bhalchandra Shinde:** The spares and services also would like to know the impact because of all these things? Thank you very much.

**Narayan Barasia:** Right. So, Bhalchandra, we do not see any impact of demonetization; actually with the improving economy, with the size of economy improving, I think we see a positive impact on our business.

**Moderator:** Thank you. We take our next question from the line of Nirav Vasa from Batlivala & Karani Securities. Please go ahead.

**Nirav Vasa:** My first question pertains to the demand for tillers sir, as we understand that demand is totally driven by subsidies which are given by state governments. So, just wanted to check on based on your assessment how is the demand that you are foreseen? And are there any particular states who have actually started the process of giving subsidies for tillers, just want to get more idea on that.

**Narayan Barasia:** So, we are not seeing any issues on subsidy release, subsidy release is quite good, so, the demand is also quite good. Quarter three is again a season for tiller and quarter one was a very good season for tiller, we did a very good business in quarter one of this financial year. So, we are good, we are very happy with the way things are moving at the government's front.

**Nirav Vasa:** Sir, second question pertains to your pump business. Sir, as we understand EESL is going to come out with really large tenders for upgrading or may be changing the pumps which are installed by farmers. Just wanted to check we are going to participate in those tenders?

**Narayan Barasia:** We do participate in tenders and we got very good orders from Andhra Pradesh recently, so, it is our business and we have to take advantage of any such orders, so, we do participate very aggressively.

**Nirav Vasa:** Sir, but just wanted to check as we understand bidding intensity across these tenders is extremely high. So, like do you see that we would be doing more volume with lower margins in these kind of tenders so, some kind of colour in terms of margins, if you can provide on especially on EESL tenders.

**Nagesh Basavanhalli:** I do not know if we want to get into specific about one particular tender here. But rest assured that the company has a very good eye on the EBITDA margins and our profitability, we will continue to watch that very closely, as we continue to grow our top-line, right.

**Moderator:** Thank you. We have our next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

**Bhargav Buddhadev:** In terms of the first question, sir, we have seen volume pick-up for three wheelers since the start of this fiscal year. So, Q1 has been a strong volume growth even in Q2 the volume growth has been fairly good. So, in your assessment sir, what could be the reason for this? Is it pre-buying before the BS-IV or is it that the replacement market is sort of hiring led by sort of anticipation in terms of interest rate cuts, what would be sir, your assessment?

**Nagesh Basavanhalli:** So, I think in terms of the Diwali season and the festival season is typically a stronger period and then again we are working very closely with our customers and they continue to watch for the Q3 so, we believe we will continue to see that focus and that development upwards as we go forward.

**Bhargav Buddhadev:** Secondly sir, is there any update on any new OEM sign-ups and we have obviously, come out with a new range of engines so, is there any sort of update on that front and secondly, sir in terms of the realization increase for the BS-IV engine, when we spoke with a few of your OEMs they said that in the range of 12% to 13% could be the engine cost increase. So, just wanted to check that number as well? Thank you.

**Nagesh Basavanhalli:** Yeah, so, we continue to work with most of our customers across India and customer acquisition remains a focus. In terms of the BS-IV, we are in negotiation with our customer and as and when we get closer, we will probably talk more about it. But in summary, I think we are ready for BS-IV and I think we are working very closely with our customers to have a flawless execution of BS-IV.

**Bhargav Buddhadev:** And just this last related question, on the R&D front, can you share some numbers in terms of how has been the R&D spend trend, evolving in the first-half, any sense around that front?

**Nagesh Basavanhalli:** Yeah, so, this is an area that we will continue to invest and focus especially as we get into BS-IV and ultimately get into BS-VI and newer technologies. So, roughly R&D spent is about north of 2%.

**Bhargav Buddhadev:** And how has been the growth sir, on a Y-o-Y basis?

**Nagesh Basavanhalli:** That is a significant upward trend in terms of we are investing money into R&D to make sure that we secure our future technologies and customer value additions as we go forward. So, it is a significant addition versus what we were doing in the past.

**Moderator:** Thank you very much. We have our next question from the line of Bharat Gianani from Sharekhan. Please go ahead.

**Bharat Gianani:** Actually just two questions, I had one was on the aftermarket thing that you have also pointed out in your press release that the independent aftermarket that you had ventured into two quarters back for three wheelers and commercial vehicles and that you are going to extend it for two wheelers as well as four wheelers so, just any sense, sometimes I wanted to get that what is your internal target in terms of the top-line that you are targeting from these segments, I mean the independent aftermarket which you ventured both for the three wheelers and PVs and the CAPEX required for that, if you can share some numbers?

**Nagesh Basavanhalli:** No, comments right now on the two-wheeler and four-wheeler; as we get closer we will definitely comment on that. But rest assured that aftermarket business is the key growth area and we are very encouraged by what we are seeing in that segment of our business.

**Bharat Gianani:** Okay. So, sir, any CAPEX in terms of that business I mean in terms of upgrading your network or something like that?

**Narayan Barasia:** No, we do not need any CAPEX for this business, from working capital but also this business operates with a thin working capital so, not a very significant increase in the capital.

**Bharat Gianani:** Okay. And sir, lastly just one clarification that Rs. 8 crore figure that you pointed out in this quarter that is in above the EBITDA, right I mean the impact is when....

**Narayan Barasia:** Yeah, absolutely.

**Moderator:** Thank you. We have our next question from the line of Pavan Kumar from Unifi Capital. Please go ahead.

**Pavan Kumar:** Sir, I wanted to understand our movement towards BS-VI norms, I understand we are presently going to go to BS-IV and then BS-VI. So, in BS-VI portfolio what are the kind of changes are we seeing, because our present four-wheeler portfolio is relatively smaller so, are we expecting any significant development towards that particular side? Do we expand the market to move from three wheelers to four wheelers side going forward?

**Nagesh Basavanhalli:** So, in terms of the BS-VI itself we are beginning to have a lot of strategic discussions with both, our end customers as well as our back-end suppliers and in terms of the idea is to give value added solutions both in terms of the final solution for the end customer as well as potential offerings. So, as we get to a point where we make further progress we will be discussing that. But this is an important strategic project for us and we clearly have started work on this.

**Pavan Kumar:** Okay. On the agri front, I understand we are launching significant amount of agri products this particular year. So, what is expected to be the steady state growth say this year and further in next over the medium-term and are we expecting any kind of product mix change because of say higher expectation of growth from the agri segment?

**Nagesh Basavanhalli:** So, agri, we definitely have newer products that are coming in, in fact, as we speak I think the mini power tiller is going through the seeding, the market seeding as we speak and so, clearly as our dealers start getting these products, the agri season is expected to be decent to good and we do have, of course, the power tiller which we are going through validation test and as and when that is ready we will be talking about it. So, we do have products coming over the next several quarters and in continuation with a good monsoon season and agricultural season, we definitely believe that is an area of growth for us, farm equipment and clearly, so, there will be obviously some I mean this will be an incremental growth areas for us.

**Pavan Kumar:** So, sir, can we expect say 12% to say 15% revenue growth?

**Narayan Barasia:** Pardon, can you please repeat your question.

**Pavan Kumar:** Can we expect 12% to 15% revenue growth over the medium-term two years to three years in this segment?

**Narayan Barasia:** So, it is very difficult to give you a number, but we are very encouraged with the present growth rates we are getting on the business. So, let us hope all the good work continue and we get good growth.

**Pavan Kumar:** Just one question which I had asked, the product mix will it change?

**Narayan Barasia:** Product mix, it is a very hard question to say because our objective is to sell whatever we are able to sell, whatever we sell, we should get a good EBITDA margin so, even if we get a product

mix change it should be good. So, we do not see any negative impact because of any change in the product mix.

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

**Manish Goyal:** Sir, what is the current cash balance we have and what is the CAPEX plan for the current year?

**Narayan Barasia:** So, we have a very good CAPEX book, capital book, so we are sitting on a Rs. 450 crore plus cash. In terms of capital all the investments are towards R&D projects, not much in terms of capital expansion because we have enough capacity on hand. So, the investment on CAPEX will be in the tune of about Rs. 50 crore to Rs. 100 crore.

**Manish Goyal:** Okay. And how much we would have done in the first-half?

**Narayan Barasia:** First-half, these projects are under execution so, we would have done somewhere around Rs. 15 crore - Rs. 20 crore.

**Manish Goyal:** Okay. And what we understand is that Greaves is trying to enter into components for aero space products and a lot of products are under validation so, can you give a update on that, sir?

**Nagesh Basavanhalli:** In terms of our strategy and where we are going, we will come back and talk about that in the future date and we are not ready to discuss that today please.

**Moderator:** Thank you. We have our next question from the line of Raghunandan from Quant Capital. Please go ahead.

**Raghunandan:** I had one question, three wheelers is one of our most important business, what are you hearing from your customers or what is your sense on what would be the medium-term outlook for this industry? I mean, there is a concern that like three wheelers as an industry would shrink versus that of other segments be it shared mobility or be it better economics which are there for the other segments, any views on that sir? Thank you.

**Nagesh Basavanhalli:** Yeah, so, I think we continue to add new customers, right customer acquisition I think will continue. But in terms of the three wheeler, the segment itself, we are in discussion with our end customers and also the end users and also our suppliers. I think the key part is the market competitive, I think, the answer is yes and it will continue to stay competitive but the key part will be to make sure, that we continue to add value that is where the Greaves solution. Our competitive advantage is to give value added competitive solutions to our end customers and make sure that we continue to do that as we get into BS-IV and ultimately into BS-VI. I think we along with our OE partners believe that as long as we continue to do that, the market will continue, albeit there will be disruptions like you talked about but we need to continue to



innovate, we need to continue to invest in R&D and we need to continue to give that value added solution, which is kind of why you are seeing our renewed focus on R&D and our renewed focus on projects.

**Raghunandan:** Any new products expected sir, because what I understand is on the gasoline side, the engines which are used in the market are in that 150 cc to 200 cc kind of displacement whereas the gasoline engine Greaves provides is at 265 cc?

**Nagesh Basavanhalli:** Yeah, so, since this is related to the future products strategy of the company and as a matter of principle do not comment on future product strategy but one of the conversations we are having with our customer is what are the market needs? What are the customer needs? Where is the product requirement? And what is needed? So, we are having a lot of strategic discussions. At the right time, rest assured we will be discussing that with you.

**Moderator:** We have our next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

**Sanjeev Zarbade:** It was regarding the share of spare parts in our revenues and do you expect margins to improve in the next fiscal, basically going ahead as we are looking at increasing our spare parts so, what is your outlook on that sir?

**Narayan Barasia:** So, we want to grow the spare business as you would have heard from Nagesh earlier and at the same time we would also like the base business to also grow so, I think the growth is the key agenda for Greaves and we are working on all possible directions in terms of growth. EBITDA is very hard to comment on, we definitely are very EBITDA focused company as you know. So, we continue to drive growth and EBITDA equally strongly.

**Sanjeev Zarbade:** And the share of spare parts in our revenues in Q2?

**Narayan Barasia:** So, in Q2 it has been in the range of 17% to the total business.

**Moderator:** Thank you. We have our next question from the line of Mr. Ranjeet from Antique Stock Broking. Please go ahead.

**Ranjeet:** Just a small like we had introduced this 240 kVA genset so, is that one of the reasons this genset segment is showing a good growth or can you just throw some colour on, will this growth momentum continue having increased our market share there?

**Nagesh Basavanhalli:** Basically, we are adding to the product range, yes, so, the product range has been expanded, right. And the second part of course is, what I touched upon earlier is the renewed focus and what we also did was we did a focused market strategy, we looked at key markets, where are the areas we are going and we are working very closely with some of the key markets and

continuing that expansion to other markets. So, as such expect the trend to continue but we are bullish about this business.

**Ranjeet:** Okay. And for our new product which we have introduced we have seen good response from the customer end.

**Narayan Barasia:** Absolutely, so there were some gaps and we have filled up the product portfolio complete from 5 kVA to 500 kVA, we are getting good response and the growth is coming from across the board. So, we are getting growth on all the existing nodes as well as the nodes as well. In terms of market share certainly, our growth is quite good so, in the focus market where we are putting a lot of effort on the ground, in terms of micro marketing, in terms of sales and service efforts we are increasing market share on the ground.

**Moderator:** Thank you. We have our next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

**Ashutosh Tiwari:** Sir, you mentioned about subsidy on agri firms. How much is that provided by government?

**Nagesh Basavanhalli:** I am sorry, Ashutosh can you repeat your question.

**Ashutosh Tiwari:** Subsidy.

**Nagesh Basavanhalli:** Subsidy. So, subsidy varies from state to state and in power tiller there is a good amount of subsidy to the tune of about 35%-40%, in pump as well there is a good amount of subsidy as well. So, it varies from state to state however.

**Ashutosh Tiwari:** So, broadly what is it on agri pumps?

**Narayan Barasia:** It will be in the range of about 20%-25%.

**Ashutosh Tiwari:** Okay. And sir, what are the growth in aftermarket sales in the current quarter?

**Narayan Barasia:** Aftermarket has grown at a high single-digit closer to 10%.

**Ashutosh Tiwari:** Okay. And sir, other income was quite high, is it sustainable I mean is it based on the cash balance or there is some one-off over there?

**Narayan Barasia:** No, you are absolute right, it is based on the cash balance.

**Moderator:** Thank you. We have our next question from the line of Tanuj Makhija from Bank of America. Please go ahead.

**Tanuj Makhija:** Sir, can you give us your outlook and competition intensity for the engines sold to specifically construction, marine, defense, and railways segment?

**Narayan Barasia:** Okay, in terms of engines, in marine we are small players still we are not very strong, market share is less, the second question was engine to railways we do not sell engines to railways we sell gensets to railways. We have done a good job in terms of supplying and getting orders from railways, we have a very good channel partner there is who has very good service network as well. So, we are doing a very decent job in terms of genset to railways and marine we do not do much.

**Tanuj Makhija:** And sir, for construction and defense sector?

**Narayan Barasia:** Construction as well we do not do much, that is an opportunity for us for future and defense as well, we do some business it is still not very much that is again an opportunity for us to address.

**Tanuj Makhija:** What is the growth that you expect in these segments for the industry as whole because we have hearing from competitors that these are likely to grow at more than 20%-25% that is why I asked the question, what is your take on the industry growth for these segments?

**Narayan Barasia:** So, you are absolutely right, defense, railways will continue to invest because now the investment capital, investment in the government projects are happening and that will also help the private investments to happen. So, as the investments keeps on going up, some of these business will see a great upswing.

**Tanuj Makhija:** Just one question my end, let me ask please. Sir, you clearly gained market share on the diesel gensets. Can you tell us which of competition intensity and which player is currently losing market share in diesel genset.

**Narayan Barasia:** It is not a good idea for us to talk about who is losing market share, but so far as this is concerned we are gaining market share and it gives us a confidence that all the good work we are doing is showing results and we would like to continue doing that.

**Moderator:** Thank you. We have a follow-up question from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

**Bhalchandra Shinde:** Sir, regarding our diesel engines related to automotive engines we have seen that factor earlier also, whenever the farm income actually improves related with diesel three wheeler engines, three wheeler growth usually picks up. So, that kind of a scenario do you expect to happen or means like it is still a distance away?

**Nagesh Basavanhalli:** So, clearly we are optimistic that the Q3-Q4 would be trending upwards based on what you are saying I think the trend points that way but we are cautiously optimistic, we will wait to see

how the market reacts and how we go. But clearly, we are positioned well, we have the capacity and we can supply as much as our customers want.

**Bhalchandra Shinde:** Okay. And sir, one about road construction activities, as you know that road construction activities has actually improved a lot over last one year to two year and relatively construction equipment especially transit mixers and concrete pumps are really showing really good growth especially if you see your peers are really showing good growth on the engine side. So, aren't you means like were we not aggressive enough to discontinue the business of construction equipment and are we losing out that opportunity means like are we actually regretting about losing out those opportunities?

**Narayan Barasia:** No, absolutely no regrets. See by the end of the day we have to choose our battles and this was the most strategic discussion as to where is our relevance and where should we play and where we should invest. So, construction business need a lot of investments and we looked at that and we said our synergy with the current business is almost not there and this needs a very different kind of investments and we were not there at that place. So, it was more a strategic discussion and good that we did that discussion because we are able to focus and put more money in investments behind farm and genset and auto business and we are able to see results.

**Bhalchandra Shinde:** But relatively our transit mixers were one of the best means like relatively if we say after (brand) Greaves Cotton was the most preferred player. So, are not we taking that opportunity right now means are we doing something related through contract manufacturing or we are just losing out that opportunity?

**Narayan Barasia:** No, so, we are not there, so we have exited that business and we are just not there so, we do not sell transit mixers as well in India.

**Moderator:** Thank you. We have our next question from the line of Hrishikesh Bhagat from LIC Mutual Fund. Please go ahead.

**Hrishikesh Bhagat:** Sir, firstly I would like to get your comments on basically increasing trend towards moving towards the solar pump set. So, I understand the Greaves is largely in the diesel pump set so, what is your take on that? And secondly, on this diesel genset which are the end industry where you are seeing a growth as of now? Thank you.

**Narayan Barasia:** Okay, in terms of diesel genset we are seeing growth coming up one is from the customers like construction, infrastructure we are seeing growth coming up there. We are also seeing growth coming up because of the increased market share so this is where it goes so it both ways, right so, we are seeing a new kind of activities happening because of investments now coming in India again. In terms of your question on solar pump, so, solar pump has its own problem, right it is very high investment upfront and it is not mobile while diesel and petrol kerosene pump

which we sell is mobile and it can be moved from one place to another upfront investment is less, and there is a subsidy attached to it as well. So, all this makes it much more attractive from a farmer's perspective and so, the market is still there and it is growing as well.

**Moderator:** Thank you. We have our next question from the line of Sandeep Baid from Quest Investment. Please go ahead.

**Sandeep Baid:** I think four wheelers is the only segment where there was some de-growth in this quarter. Just wanted you to give us some colour on when do you see a turnaround in this segment and in this regard if you can also comment on Multix whether you are seeing any uptick in volume there? And on the three-cylinder engine, if you have any visibility for getting your first contract there?

**Nagesh Basavanhalli:** Yeah, so, a couple of things, you have several questions there. On the three cylinder engine, we continue that is we have a very competitive product, we continue to talk to prospective customers, so, as and when we have something concrete to announce we will talk about that then in terms of the four wheeler itself I think we are encouraged, we are seeing some signs, we are waiting and watching and we will see how that segment evolves but clear to say that we have kind of, we will continue to support our customers as we go forward.

**Sandeep Baid:** And on Multix have you seen any ramp up in volumes over the last six months or 12 months?

**Narayan Barasia:** So, Multix is a test marketing done by them and based on that they are looking at the product so, as of now the volume ramp up is still not there but there is a good plan and there is a significant investment our partner has done, we are very optimistic about it we are also waiting for the next action to come from them.

**Moderator:** Thank you. We have a follow-up question from the line of Mr. Pavan Kumar from Unifi Capital. Please go ahead.

**Pavan Kumar:** Sir, if we see the volume numbers it seems except the four wheelers we have relatively grown in all these segments. So, has there been any kind of realization drop since our revenues have almost remained flat?

**Narayan Barasia:** You know between volume - value we do not see a big impact so, price reduction has not been significant or not relevant, our three-wheeler has not grown so, it is a flat growth and so, that is the reason the overall growth is about 3% to 4%. So, good thing is that it was declining till last quarter and this quarter we have been able to maintain the status quo on three wheeler.

**Pavan Kumar:** Okay. And from what I heard our cash position is presently around Rs. 450 crores. So, can we expect a higher dividend payout going forward?

**Narayan Barasia:** It is for the board to decide we cannot make a comment on that but it is good position to have and a good problem to have, this gives us enough bandwidth to invest and our ability to be more stronger. So, I think there has been....

**Pavan Kumar:** But at least can we maintain dividend policy from the last year?

**Nagesh Basavanhalli:** Again that will be something that is the board collectively will decide so but it is a good position to be in right now, I must say.

**Pavan Kumar:** Okay, sir, just connecting to that are there significant investment opportunities as of now for the cash we have? Just asking it from other angle,

**Narayan Barasia:** Opportunities do exists for Greaves, right.....

**Pavan Kumar:** Right, you are talking about opportunity mostly in farm agri segment or the aftermarket one?

**Narayan Barasia:** It is all across right the opportunity for us is all across India is a booming economy, we are absolutely rightly placed in all the right segments where we can take advantage of the economy, so there are opportunities and we will take calls which is right and which makes sense rather than doing it only to increase top-lines. So, we would like to take calls which improves ROCE for the shareholders.

**Moderator:** Thank you. We have our next question from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

**Ishpreet Kaur:** So, what would be the revenue contribution from the gensets business value wise?

**Narayan Barasia:** It is to the tune of about 12% to 15%.

**Ishpreet Kaur:** 12% to 15%.

**Narayan Barasia:** To overall business.

**Ishpreet Kaur:** And how much would be pumps?

**Narayan Barasia:** So, the farm business is also about 12% to 15% to total turnover.

**Ishpreet Kaur:** Okay. And in the genset since you have said our market share has increased what is the market share now?

**Narayan Barasia:** So, we are still very small in terms of overall market share so, pan India our market share would have been now about 3% but we are very small, good thing is in the markets where we want

to play and where we are putting efforts, the market share has gone to a double-digit which is Gujarat, Maharashtra the market share has become double-digit for us.

**Ishpreet Kaur:** Okay. And majority of our volumes would be from what segment of the kVA I mean above 100 - 200?

**Narayan Barasia:** So, we got good growth across the segments starting from 5 kVA to 10 kVA and in fact 30 kVA we got growth in 125 kVA - 250 kVA and 500 kVA. So, the growth has been across the board and which is good sign because of the ground work which we are doing is giving us good results.

**Ishpreet Kaur:** And what would be your capacity utilization?

**Narayan Barasia:** No, we have enough capacity so, this is a very small and for a small business you can imagine the capacity is not a constraint so, we have a good capacity available.

**Moderator:** Thank you. We have our next question from the line of Mr. Bharat from Quest Investment Advisors. Please go ahead.

**Bharat:** Sir, I mean after say several quarters we have started seeing some growth in low single-digit in since last two quarters. So, would you like to give some kind of range I mean where would you like to see a growth happening I mean in this year and next year?

**Nagesh Basavanhalli:** You are right, I think we are encouraged by the growth we continue to make all the right efforts in terms of both working with our customers and internally so, I am not going to put a guidance out there but rest assured that I think we are positioned for success, I think we are equipped and I think we are quite cautiously optimistic about what we see.

**Bharat:** Or sir, I mean like you say first-half vis-à-vis second-half will be higher side or you would like to say something on that?

**Nagesh Basavanhalli:** You are looking at the macro economy and the trend, right?

**Bharat:** Yes.

**Nagesh Basavanhalli:** And you are looking at our last two quarters and I think you can extrapolate.

**Bharat:** And last question sir, in this quarter we have seen there is a substantial increase in inventory as well as receivables, so any update, I mean any input on that?

**Nagesh Basavanhalli:** No, actually the inventory and receivables are quite in good control. The business is growing both in genset and farm and receivables and inventory generally in these businesses are high. So, absolutely in terms of number of days, in terms of hygiene we are quite good there.

**Moderator:** Thank you. We have the next question from the line of Tanuj Makhija from Bank of America. Please go ahead.

**Tanuj Makhija:** Sir, what is our number of service networks or service network outlets for diesel gensets across India? And secondly, what is your target to reach say in the next two years for the service networks?

**Narayan Barasia:** So, wherever we sell gensets we need to have a service network. So, we have a very good service network pan-India but some areas where we have strengthened quite rapidly over the last 12 months and in some areas our network may be weak. Gradually we would like to strengthen as we keep on moving forward in future. So, we should expect good growth coming in the next two years.

**Tanuj Makhija:** Sir, can you be more specific about number of outlets across India, which region are you strong in and where do you expect to build strength over the next two years?

**Narayan Barasia:** So, we are very strong in Western India, Gujarat, Maharashtra, West Bengal, Assam, these are the markets that are very strong. We are building up our network in Andhra, Telangana, Karnataka, Delhi, U. P., NCR so, these are the areas we are working on. So, this is the path we want to go forward.

**Tanuj Makhija:** Okay. And what are the number outlets that you have currently?

**Narayan Barasia:** So, it is not service through outlets, the gensets are service through dealers and every market has to have a service dealer who has the capability to service gensets. So, it is not run through outlet so, that is the reason it is hard to give you the data. But every market center we are into need to have dealers presence there to service the gensets.

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

**Bhargav Buddhadev:** Sir, when we speak to traders, they say that post GST this demand for LCVs will increase significantly, because currently a lot of the inter-state sale which happens on account of difference in VAT will sort of shift to localization. So, is it fair to say that this Greaves new engines, up to 3.5 tonnage will sort of find application with these LCVs which will be used post GST?

**Nagesh Basavanhalli:** That is an area we will have to continue to explore along with our customers. But I think there is potential though, there is potential, we are obviously just like everybody else looking at the post-GST and what it does to our customers and to our markets, right. But it does open some interesting possibilities.



**Bhargav Buddhadev:** And sir, when Greaves is sort of talking to these potential customers, are these customers looking at launching new models or replacing engines in existing models?

**Nagesh Basavanhalli:** Yes, it could be both.

**Moderator:** Thank you. We have the next question from the line of Neeraj Marathe from HU Consultancy Private Limited. Please go ahead.

**Neeraj Marathe:** Firstly, in three wheeler engines we have a very high market share, like Bajaj. In the four wheeler small commercial vehicle engines that was in proposal, just wanted to understand currently most of the manufacturers make engines in-house or currently who supplies the engines? So for example somebody like Ashok Leyland launching a small commercial vehicle. So that was one question. Second question was, in the last quarter con-call I had asked about the dividend policy and there was a possibility that the board will formulate a formal dividend policy. Has that been done yet?

**Nagesh Basavanhalli:** No in terms of the dividend policy we still need to have more discussion with the board. So no it is not formulated. Your other question in terms of engines itself and the OE partnership obviously we continue to have discussions with OE partners in terms of value addition and how we can continue to bring in value added engines at the right cost with the right emission norms, right so, that they do not need to invest in all new engines at least in the segments that we operate. But that is a continued discussion as we go it is part of the OEM strategy and it is part of our strategy as we go forward.

**Bhargav Buddhadev:** Okay. So currently the OE makes their own engines in-house?

**Narayan Barasia:** Depends on case-to-case and...

**Moderator:** Thank you. We have the next question from the line of Mr. Bharat Gianani from Sharekhan. Please go ahead.

**Bharat Gianani:** Just wanted to ask a question on three wheelers, diesel three wheelers as a percentage of overall three wheelers, what would be the proportion at the industry level?

**Narayan Barasia:** I am sorry, can you please repeat your question.

**Bharat Gianani:** I am asking the diesel three wheelers as a proportion of the overall three wheelers, what would be that number?

**Narayan Barasia:** Okay, so you mean diesel including petrol and all other solutions, right?

**Bharat Gianani:** No, I am asking in three wheeler what would be the proportion of diesel be in overall three wheelers, three wheelers we have diesel, gasoline, CNG, all of them.

**Narayan Barasia:** So diesel three wheelers is roughly half the market.

**Bharat Gianani:** Okay. And what would be our market share in the diesel three wheelers?

**Nagesh Basavanhalli:** It is about 75%.

**Moderator:** Thank you. We have the next question from the line of Bhalchandra Shinde from Anand Rathi.

**Bhalchandra Shinde:** Sir, Nagesh sir I would like to ask you one question. As per your credentials or if you see in Fiat India you had a very good success related to adding customers for your engines. And there were some special features in that while adding those customers. Obviously Greaves Cotton also has those kind of special features but what kind of additional qualities you will require or additional development you will require to add more customers in Greaves Cotton or to achieve that kind of a success in Greaves Cotton also?

**Nagesh Basavanhalli:** So, clearly as you know the customer set and three wheeler and four wheeler are slightly different segments that we operate here. And then the customer requirements are slightly different in terms of their customer needs. However, clearly we are working very closely with our customers trying to understand what their additional value addition needs are, whether it is in the case of NVH improvements or other attributes whether it is the torque or fuel economy, etc, etc. So I think we will continue to work closely with our customers, we will continue to invest in R&D and improve. And I think if we can work together I think we can continue to see the success.

**Balchandra Shinde:** But don't you think there is a higher challenge for Greaves Cotton because what happens is what we have seen that relatively OEMs prefer to use more than a single cylinder, means if it is more than twin cylinder engine they prefer to use their own engines for the product. So obviously for the existing product they will not prefer Greaves Cotton, there will be only possibility of adding a new product as such. Or you see that we can replace even the existing engines because relatively that will be much difficult for us to replace the existing engines also, because they will be having that kind of a facility also available with them.

**Nagesh Basavanhalli:** Yes, it gets down to looking at it OE by OE and platform and working with their product strategies. The simple answer is, I think the potential exists. As long as we give them the right value added solutions and what I mean with that is can we give them the right horsepower engine, can we give them the right NVH with right noise vibration harshness can we give them the right performance characteristic that their end user needs. And if so, can we help them by taking care of this part of the business so that they can focus on other aspects of their business. I think that is the conversation that strategically we are beginning to have. And I am quite confident that we will be able to over a period of time start having more and more concerted discussions in those areas and see if we can make some success on that.

**Moderator:** Thank you. We have the next question from the line of Gagan Tareja from Kotak Investment Advisors. Please go ahead.

**Gagan Tareja:** A couple of questions. Could you clarify the business of third party spares that you have initiated, is it essentially a trading business or do you intend to manufacture the parts and supply them?

**Nagesh Basavanhalli:** No, we do manufacture the parts and supply them because at the end of the day it is brand name and our quality, our customer expects a very good quality part.

**Gagan Tareja:** And these spare parts, if you could give us some idea of what kind of OEs are you supplying spare parts for? You might not necessarily name them but if you could give some idea, are they commercial vehicle manufacturers or are they passenger vehicle manufacturers, what is the scope of this work?

**Nagesh Basavanhalli:** I do not think we should get into the names, but it is across.

**Gagan Tareja:** So my final question, could you maybe discuss at some length what was the reason for Greaves' success on the single cylinder engine platform? Was it that most OEs did not have an in house design and therefore they relied upon Greaves for the single cylinder platform and you could build out a very successful business there? And the reason for asking this question is to understand what could really lead to your engine on a three cylinder platform being accepted because on a twin cylinder platform traditionally everyone has had their own engines and I presume you have not gotten into a twin cylinder platform on any of your OE so far. So if you could elaborate and give your thoughts there?

**Nagesh Basavanhalli:** I think it gets down to a couple of things. One is the legacy and the brand reputation of Greaves and in terms of what we stand for over the years. When we supply our engine there is a peace of mind as to what that engine can do. So there is the overarching quality reputation, reliability that we stand for. Then there is also the value addition, understanding the customer needs and making sure from that value that we can bring, value proposition. When in three wheeler driver is driving an engine and he is driving that three wheeler for 15, 20 hours a day, the expectation is the reliability expectation is good NVH, expectation is good performance right. So understanding the customer need and translating that into a good value proposition, both in terms of cost and performance, having the right trade off. So to me, between the brand, the quality, the low cost manufacturing plus bringing in the right value proposition to our customers all of which we believe we can translate into the multi- cylinder and over a period of time add value to the customers across other ranges as well.

**Gagan Tareja:** Because platforms are normally built around engines, not the other way round is I would have thought it would be. So, if someone is planning a platform then maybe I understand that you

can go with the engine and maybe together you design a platform; but if there is an existing platform or an existing engine what would be the incentive for someone to try and shift out?

**Nagesh Basavanhalli:** So, I think it gets right down to the value proposition right. So, if we can provide engine and that helps them focus on certain other things as an OE. And at the end of the day as an OE you have multiple things to do, right from advance engineering all the way up to launching and satisfying your end customer and facing your competitive markets. So, I think, it gets down to, if we can give them the right value proposition I believe there is clearly a market for that and that is kind of the discussions we are having.

**Moderator:** Thank you. We have the next question from the line of Pavan Kumar from Unifi Capital. Please go ahead.

**Pavan Kumar:** Sir, I just wanted to understand your view about the market transformation that is taking place from diesel engine to petrol engine. So how is Greaves actually placing itself to actually drive this particular way of transformation?

**Nagesh Basavanhalli:** So, clearly we are watching the trends and our technology teams are ready mainly in terms of fuel types, I think we could be ready. I mean we have the capability, we have the technology, we have the capacity so we could service the market needs.

**Pavan Kumar:** But in terms of CNG and petrol, gasoline engines, are we doing any kind of extra sales push or some kind of other measures to actually penetrate the market? Because I understand petrol engines our penetration has been relatively less as of now.

**Nagesh Basavanhalli:** So, we continue to work with our customers and work not only on diesel but also on all other fuel types and how we can add value there, yes.

**Pavan Kumar:** Can you give us any idea on what was volume pickup in number of petrol engine, just indicative percentage number, I do not want absolute.

**Narayan Barasia:** No, I do not have now the petrol engine growth.

**Moderator:** We have our last question from the line of Bhalchandra Shinde from Anand Rathi.

**Bhalchandra Shinde:** Thank you, all my questions are answered. Thank you. Thank you very much.

**Moderator:** Thank you. Ladies and Gentlemen, thank you. As there are no further questions, on behalf of Greaves Cotton Limited I would like to thank you for joining us.