

# Greaves Cotton Limited

## Q3 FY2022 Earnings Conference Call

February 09, 2022

**Management Representatives:**

Nagesh Basavanhalli – Group CEO and Managing Director

Dalpat Jain – Group CFO

**Moderator:** Ladies and gentlemen, welcome to the Greaves Cotton Ltd. Q3 FY22 Earnings Conference Call. From the management we have with us today, Mr. Nagesh Basavanhalli – Group CEO and Managing Director and Mr. Dalpat Jain – Group Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing \* the 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nagesh Basavanhalli – Group CEO and Managing Director of Greaves Cotton Ltd. Thank you and over to you sir.

**Nagesh Basavanhalli:** Thank you. Good morning, everybody. I hope you are all keeping well and staying safe. I welcome you all to the Greaves Cotton Q3 FY22 Earnings Call. I will start off with an overview of the business and Mr. Jain our CFO will take you through the financials for the quarter. Our strategy to mitigate risk by building a diversified product portfolio and moving towards diversified portfolio is beginning to show results. Which is evident in certain areas, whether it is in the area of EV or retail or non-auto engines. For example, some of the key highlights in the past quarter was clearly the roughly 22,000 sales for Q3 in the electric mobility business. Ampere did set a new benchmark. We were also very proud to inaugurate our EV manufacturing facility, at Ranipet which is up and running now. The experience center at Ranipet was also launched a couple of weeks ago. In the past quarter, the Magnus Ex which is one of our most popular two-wheeler brand was launched and is getting good reception in the market. The team also completed the purchase of the 26% stake in ELE, so we have 100% stake in the e-rickshaw manufacturer now. We also subscribed to 26% equity stake in MLR Auto which gives us a presence in three-wheeler, auto business. Also, one of the highlights of the quarter was launching the AutoEVMart, which is a multi brand experiential store which looks after the entire e-mobility ecosystem. Coming to the auto and non-auto segments, they are on the recovery path, especially because we are seeing good public policy measures in the area of healthcare, agri, infra, etc. And we are seeing some of that early shoots come up in the area of B2C especially in the area of healthcare. With that broad overview, I request Mr. Dalpat Jain to give us a brief on the financial performance. Thank you.

**Dalpat Jain:** Thank you Nagesh. Good morning, everyone. If we look at Q3 financial results at a consolidated level, company reported a flattish revenue compared to last years Q3 at Rs. 486 crore and on a sequential quarter basis it was 30% higher. But what is the key highlight in the revenue breakup, if you look at e-mobility, the business has now come close to \$100 million of quarterly run rate and close to 100,000 unit of quarterly run rate, which is a benchmark achieved during Q3, despite the headwinds faced by the auto engines business unit. Overall, the group revenue could sustain at the healthy levels. EBITDA, we had Rs. 14 crore at a consolidated level and Rs. 17 crore of standalone EBITDA.

For 9M, company reported a total revenue of Rs. 1090 crore which was 11% higher compared to last year's 9M. As Nagesh already mentioned, we have completed the remaining 26% stake acquisition in Bestway and GMPL subscribed to 26% equity in MLR Auto and both of that required almost Rs. 32 crore of investment. During the quarter, company generated free cash flow of Rs. 46 crore and invested almost Rs. 55 crore as debt in the subsidiaries.

The Pune land deal that was done in the last quarter is progressing well, the due diligence was completed by the buyer and land area was adjusted subsequent to the due diligence. The second instalment of advance which was 20% has been received before 31<sup>st</sup> of December, so total 30% of the consideration, the company has received so far. With the non-auto and the retail business unit, they have come back to the pre-COVID level of revenues and both of them continued its growth trajectory and reported growth of 8% for non-auto and more than 10% for retail business.

Overall, the share of new businesses has grown to 54% in the company revenues and that augers well in terms of the diversification strategy, that company had undertaken three years back. We are hopeful the traction that is shown in the overall e-mobility industry will continue with the push from all the sides and that is going to be benefitting the company in its consolidated revenue and the profitability. With this I will open the call for interactive questions and answers. Thank you everyone for joining us.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities, please go ahead.

**Ashutosh Tiwari:** Hi Sir, congratulations on a very good volume ramp up in this electric mobility space. Firstly, out of this Rs. 181 crore sale that we have shown in electric mobility can you provide the share of two-wheeler and three-wheeler because there is a big jump in realization that we believe is because of this whole mix towards high speed?

**Dalpat Jain:** Correct Ashutosh, so in this Rs. 181 crore, it is almost 80-20, 80% is two-wheeler and 20% is three-wheeler.

**Ashutosh Tiwari:** Okay, so high speeds are going up leading into better realizations. Secondly, what is the volume outlook for the upcoming months in this two-wheeler, three-wheeler space, we already did around 18,000 units in the last quarter and Ranipet facility, I think it came up in November, so how do you see the volume ramp up happening over the coming months?

**Dalpat Jain:** So, I will start with the numbers and then Nagesh can add on the overall business strategy part. So, if you look at the Ranipet plant capacity we started with 10,000 units per month, which we are going to ramp up as the demand picks up. The volume pickup, we are seeing the traction continuing and the quarterly run rate that was there of units in Q3 we are seeing that they are growing in the January and coming months also and the share of high speed continues to grow in the overall revenue mix for Ampere. Similarly, in the three-wheeler front also, we are seeing a good traction on the volumes and ELE has come in the top 10 brands within the three-wheeler including the entire ICE and electric vehicle space, so that is auguring well. And with MLR now coming as a portfolio company which is an associate, the MLR team is also going to work on building up the revenue and volumes for the L5 models.

**Ashutosh Tiwari:** Okay so, how quickly can we ramp up Ranipet, we are already at maybe 6000-8000 volumes in these two wheelers, so if the demand surprises, how quickly can we ramp up this facility Ranipet production capacity?

**Nagesh Basavanhalli:** Thanks, Ashutosh as we have said, we have today about 120,000 capacity which will go in early in the next fiscal year, in the next quarter to double that size, we will expand the capacity to 250, we have already said

that in the past. And when we look at it, assembly demand will not be an issue, fortunately for us the market demand is also looking solid like just Dalpat said. We our working with our local supply chain partners and a lot of progress has been made over the last several quarters. We all know about the global chip shortage, so we are working with some of those challenges, but these challenges are being managed and then the ramp up I think is going to be appropriate and enough to say that our assembly capacity will not be a constraint. We are working with our supply chain partners ahead of the curve for the next 2-3 quarters to see how quickly we can ramp up higher, as the market demand continues.

**Ashutosh Tiwari:**

Okay so you are saying that 2,40,000 capacity will come up by Q1 next year, FY23?

**Nagesh Basavanhalli:**

Again, like I said I think that manufacturing capacity, we will be ready. What we are working is, with our supply chain partners to make sure they are also ready as we are ramping up, that is the only thing that I think we have to work through, we are quite confident just like we have scaled, if you look at December of 2021 number versus December 2022 number, the 2500 became close to 10,000, so have we demonstrated an ability to ramp up in house and supply chain? The answer is yes. Are we continuing to do that? I think the answer is yes. Do we have challenges? The answer is also yes because the supply chain is not all at the same level. That is what I am saying.

**Ashutosh Tiwari:**

Okay and lastly the 3-wheeler volumes are also critical in terms of profits, so are we seeing improvement in that in this quarter versus the third quarter?

**Dalpat Jain:**

So, Ashutosh if you look at the traction in 3-wheeler volumes from Q3 FY21 it is almost more than doubled and Q-o-Q also, there has been a 15% growth

**Ashutosh Tiwari:**

No, I am referring to diesel 3-wheeler volumes?

**Dalpat Jain:**

So on the diesel 3-wheeler as an industry level the data that got published in the media for the month of December, it was around 45,000 overall as an industry, I am talking about 3-wheeler industry and January also continued on the similar kind of number, now because of the overall industry growth though the share of diesel at an overall level has come down from the 70% levels but still that number is going to be better than what we have seen in the last two quarters.

**Ashutosh Tiwari:**

So, we will see some built up basically over there?

**Dalpat Jain:**

Exactly. And second factor what has also happened Ashutosh is the inventory which was there at OEM end and in the dealer network because of sudden wave 2 lockdown that also with these higher volumes in the last quarter has got consumed, through secondary sales.

**Moderator:**

Thank you very much. The next question is from the line of Dhananjay Mishra from Sunidhi Securities and Finance Ltd. Please go ahead.

**Dhananjay Mishra:**

Hello Sir congratulations on very strong, so in EV segment. So, my question is with respect to EV two wheelers, so I have visited a couple of your competitors as well as Ampere's dealers and I find that our high-speed bike is at about 50km however the competitors' bike they are giving high speed up to 70km or 80km,

so what is the strategy going forward in terms of whether we are going to launch high speed and whether any technology required to reach there? So, that is the first question.

**Nagesh Basavanhalli:** Yes, so I think the question is about product strategy, so when we first announced, we were going to play in the heart of the market, when you look at some typical average two-wheeler that is sold is around that Rs. 75,000 – Rs. 80,000, so we are kind of playing in the heart of the market and recently in the last quarter we have added the Magnus EX which is our extended range and we continue to work on one or two more products that we have already announced, which will go to the next level. Are we going to stick to the meat of the market or heart of the market in terms of pricing? I think the answer is yes, that is our goal because when we look at our customers, when we look at tier 1, tier 2, tier 3 towns, affordable last mile mobility is where we play, on the two-wheeler as well as on the three wheelers and that is where our strategy is and we are also very clear as to what the consumer wants, the consumer needs and what that consumer is asking, in terms of range, in terms of pricing, in terms of performance. I think there is a right balance, at the end of the day - keep in mind India needs affordable last mile mobility for our customers, whether the customers are school going kids or housewives or office going people, all the millennials', so I think that is our current strategy and we are playing in the heart of the market.

**Dhananjay Mishra:** Okay because when I see later, so they are directly competing with this petrol variant like Activa and Jupiter and in terms of pricing and performance and everything and I think their scooter can be used for even further intercity movement, however our scooter is only for intra city, I thought to get those market share because where we are going to launch some better variant in terms of speed, so that was a part of my question?

**Nagesh Basavanhalli:** Like I have said, we still stick to the heart of the market, what we have announced in the past is we have said. We are working on one more variant which will obviously take us to the next level of speed, it will be lithium but it will still be playing in the heart of the market. Our intention is not to disturb that.

**Dhananjay Mishra:** And second question with respect to this EBITDA, so at this point in time we are doing about (Rs. 3) crore in this EV segment, so at what volume or what sales, you consider that you will reach at least 4% - 5% kind of EBITDA margins?

**Dalpat Jain:** So, Dhananjay, as you rightly observed, the EBITDA is close to Rs. 3 crore with the kind of quarterly revenue that we have seen and if I can further talk with the kind of volume growth we have seen towards the end of this quarter, the company had positive EBITDA margin and even positive PBT. So, we are nearing that benchmark and the quarter's numbers are indicative of what is the breakeven required for e-mobility business.

**Dhananjay Mishra:** Sir, after relocation from Pune and Coimbatore to Aurangabad, Rs. 45 crore annual benefit we are talking about, so that is already reflecting in Q3 number or more benefit is still left to be reflected in upcoming quarters?

**Dalpat Jain:** So, if you look at the nine months results, the yearly run rate has already crossed Rs. 45 crore of saving that we have targeted, with closure of Ranipet and some part of Pune has already achieved, there is little bit of more which will come in Q4 and next financial year, with the BU consolidation that we had undertaken in

Q2 and in Q3. So, there will be a bit more of savings which will be coming in and maybe this number will be crossed in the next financial year.

**Dhananjay Mishra:** And what is the kind of investment we needed to develop capacity for 1.2 to 2.4, additional investment needed?

**Dalpat Jain:** So, I will start from the numbers, so if you look at the overall infrastructure at Ranipet plant, the land, the brick and mortar that is constructed to have a overall targeted capacity of 1 million. Now, the growth from 120 to 240 is about having the assembly line and other infrastructure which is required and that will need proportionate increase in the fixed assets, so if you look at our numbers between 31<sup>st</sup> March and 31<sup>st</sup> of December, the total fixed assets have grown by more than Rs. 50 crore.

**Nagesh Basavanhalli:** Just two additional comments on that, regarding the question on profitability, the two of us already answered but I would like to just add that, keep in mind we are also in the investment phase. We are focused on satisfying the customer right now and making sure that we are delivering the right product and gaining market share. So, we are also doing that fine balance of investing into the company, investing into the future. The second thing in terms of the plant itself, keep in mind our thought process being a seasoned manufacturing, supply chain player, it is also to do this in modular stuffs, so that the plant capacity, again I repeat from my first point will not be an issue, the plant capacity will be there ahead of the norms.

**Dhananjay Mishra:** And sir lastly, one more question about volume number, how has been the volume like November, December and even January, how it has increased in terms of volume?

**Dalpat Jain:** So, the public numbers that we have already talked about, Q3 was close to 22,000 overall as a quarter, for the month of December overall E-Mobility was close to 10,000 units and the monthly run rate which was there in Q3, the monthly average which was there in Q3 is being continuing or getting better as we are moving into Q4.

**Dhananjay Mishra:** Okay, so we are lower than December number in January?

**Dalpat Jain:** I will not be able to comment on this but like I mentioned, the overall quarterly average we are maintaining our back ended.

**Moderator:** Thank you very much. Ladies and gentlemen, to ensure that the management is able to address queries from all participants, please limit your questions to two per participant, time permit in, you may refer to the queue for your follow up questions. The next question is from the line of Vimal Goel from Union Asset Management. Please go ahead.

**Vimal Goel:** Thank you so much for the opportunity, Sir. Just wanted your comments, firstly on the electric vehicle business. I have three questions; one is on the three-wheeler EV market. This market is a very fragmented market, as you said the e-rickshaw market that you are catering to, on the passenger side that is. So, just wanted to get a sense on what has been the industry growth like, if you can just give us some numbers on the industry for the nine-month ended FY22, I mean we have job volumes, so we will be able to calculate

the market share there? That is on three-wheeler. The second question is on the realization for two-wheelers. So, if I were to observe that number, on two-wheelers we have reached almost Rs. 80,000 of realization from an average of Rs. 65,000. So how should we look at that number going forward and same goes with even three-wheelers. So even three-wheelers our realization have touched close to Rs. 1 lakh. So, if you can just comment on your realization for the entire electric vehicle business. And lastly, if you can just update on the strategic investor for Ampere, any progress there, any updates there, if possible? Thank you so much.

**Dalpat Jain:**

Thanks, Vimal. To start with the first part, where in the 3-wheeler business in ELE, our market share has grown and it is close to now 9% of the overall industry and that growth has been mainly driven by move from unorganized sectors to organized sectors. So, at one-point un-organized sectors used to have almost 90% of the three-wheeler E-Rickshaw market and that has now come down to close to 60%, 40% is taken by the organized one. The second part, the realization. The realization is a factor of two things in the two-wheeler. One, the share of high speed, as we have disclosed in our slide 10 of the presentation, has increased now to 71% which at some point like in the similar quarter last year was 30% or so. So, the increase in the mix of high speed has led to the increase in the realization and company has also, with the higher-end products that have got launched, the price commanded is also higher in those models. In terms of E-Rickshaw similarly, we have launched a newer model in last nine months and that has helped in the overall realization increase. The price increase per unit has also been there in E-Rickshaw product but that has been a smaller contribution in the overall realization increase that you have observed.

**Vimal Goel:**

So, what you are saying is, in the E-Rickshaw segment it is again the mix which has positively affected the realization.

**Dalpat Jain:**

That is correct, mix has affected and plus the company has also taken a price increase wherever it was demanded but higher growth is because of the mix improvement.

**Vimal Goel:**

Sir, when you say mix Dalpat, within E-Rickshaw, do we have certain variants, which some of the variants are slightly more costlier, is that the case?

**Dalpat Jain:**

That is correct, so some of the variants are more of higher capacity and also Lead Acid versus Lithium-Ion batteries, so those mixes are there in case of E-Rickshaws also.

**Vimal Goel:**

So, for both these segments we can now assume, the current level of realizations are expected to sustain.

**Dalpat Jain:**

That will sustain and as Nagesh mentioned, we will continue to launch improved models and once whenever they get launched, there will also be another step-up jump in the realization. In the meantime, the realization will continue to grow in line with the mix improvement and some sort of price increase that both the businesses have taken in line with the overall product costing.

**Vimal Goel:**

And lastly sir, in a non-auto business, if you can just comment, while the auto-engine business is understandable, diesel is under pressure but non-auto business how should we look at, because over there,

there has been some weakness. So how should we look at that business in the medium term, in terms of volume?

**Dalpat Jain:**

Yes, I will talk about the numbers of the quarter and then maybe Nagesh can talk about the supply chain issues which were there in that BU, which were temporary during Q3. So overall if you look at the non-auto business growth, we have seen the overall genseet and the industrial engine BUs doing a very well volume as well as revenue growth and that was led by the product which has been launched by the businesses. Now talking about the volume de-growth that you saw in the equipment part, that was led by the farm equipment unit of the business. And in the farm equipment last year, there were some of the models which were China imported and were eligible for the subsidy in India. With the recent changes in the government regulations, those products were not eligible and accordingly we discontinued those products say and are replacing with the domestic manufacturers. It took little bit of time in getting the right manufacturing partners for the domestic models of the same and that is where we saw the volume de-growth in farm equipment. But overall, at the business unit level, the business has grown at a healthy pace during the quarter also.

**Vimal Goel:**

Fair enough Dalpat, thanks a lot and all the very best.

**Moderator:**

Thank you very much. The next question is from the line of Pramod Amthe from InCred Capital. Please go ahead.

**Pramod Amthe:**

Hi, two questions. One is, with regards to this EV-allied services, where literally we are seeing you entering new area of business every quarter basis, the last one seems to be on EV-financing. Can you give a rationale in terms of, what is driving you to add these ones, not basically your diversified areas and how you plan to develop competencies in these areas and what is the capital allocation required for these new areas in next two to three years' period?

**Nagesh Basavanhalli:**

So, I think the question is capital allocation in different areas as well as the diversification into others. So, when we look at our business, the main Greave's engines our traditional business, which has diversified into auto and non-auto, is giving us a road map to the fuel agnostic portfolio, Greaves Retail and then Greaves Electric mobility. Those are the primary businesses and two enabler businesses and I will talk about that. The capital allocation in the last three years, if you look at it has been in the ICE engines business when they went to BSX and also the CPC before, all regulation driven. What it took to be very competitive offer. Parallely on the electric mobility business we saw the trend early, we invested in the last mile mobility, today we are a player in 80%+ of a last mile mobility vehicles, so that is where the significant capital has gone in, so when I look at it roughly in the shape of exact numbers, roughly Rs. 300+ crore has gone into the another Rs. 300+ crore exact numbers so say, for has been invested in the Greaves Electric Mobility. Now what we have done in parallel is, we have two enabler business. The Greaves finance being an enabler business, one year ago we had a challenge with people wanting to finance electric vehicles or eighteen months ago. Hope we see that situation has improved a lot, now we have a lot of partners or partnering with the past. So, this is more like a catalyst of an enabler to our primary business of selling electric vehicles so that is an enabler business. Similarly with the engineering services with the Greaves Technology, so in terms of the capital allocation the two core areas are where we have spent the money, Greaves Electric Mobility being the strongest and investing in not just plant capacity but also technology moves in terms of



people and the traditional business is where we have done in the last couple of years. And Greaves Retail, traditionally we have gone in within asset light model, so even our Auto EV Mart or our Greaves Retail have been franchise, own franchise operator. We did not go in with the super model, so it is a strategic blend in terms of capital allocation where we have put in money, where we believe we have a technology mode or a long-term sustainability, in other areas we have cleverly leveraged asset light models that are appropriate. That is the big picture, happy to clarify it.

**Pramod Amthe:** Thanks for the detailed answer. Just wanted to dwell upon, if you were to look at the next 3-year plan and if you all are allocating a Rs. 100 per say, where you expect how much to go for manufacturing and how much for these because financing is a very tricky business. It can develop a descent top brand to partner there and how to manage the NPAs and all, considering the semi-area and two-wheelers are little bit tricky, that is one. Second, are there more areas, wide spaces you feel you need to cover in the coming quarters, if you can give a cover onto it?

**Nagesh Basavanhalli:** Yes, in a broad way, a bigger part of the future allocation for the next fiscal year will obviously be of Electric mobility, the two-wheeler and three-wheeler and building in additional capability, additional products, that will be where the focus will be. In terms of Greaves Finance, like I said it is an enabler, that will be an enabler business, I do not expect that to be a predominant usage on the capital right now. Dalpat, feel free to add.

**Dalpat Jain:** Yes, so I will just add couple of points on this. Greaves Finance we are not having the plan to make that like a full scale NBFC or a Bank, it will continue to remain as an NBFC and having a required allocation of capital but mostly the business is being done through the partnership model. In terms of the capital allocation, like Nagesh mentioned, the money will be going more on the overall E-Mobility and also developing the E-Mobility eco-system. So now we have made our presence in the ultimate vehicle side but we will also work on developing the eco-system and that is where the investments is.

**Pramod Amthe:** Thanks, one more question I have is with regard to PLI, considering that at your top line you look like you may qualify for the PLI. Did you find it attractive? Did you apply for PLI on the auto side, one? Second is, how do you see the ACC PLI, does it give you a confidence that you will be able to source the, lithium ion cells locally at a much cheaper price, might be two or three years down the line, thanks?

**Dalpat Jain:** Yes, so with the increase in volumes overall, the domestic market and suppliers are also scaling up their operations and that is helping in procuring the products at a competitive pricing and that is what Nagesh was talking in the beginning. On the second part, in terms of PLI, yes company has made the requisite applications wherever we are eligible, so that we can work on those areas and PLI is attractive, you know the numbers are fairly good from the government side and government is doing lot of efforts on improving the overall eco-system for progress of this.

**Moderator:** Thank you. Our next question is from the line of Amin Pirani from JP Morgan. Please go ahead.

**Amin Pirani:** Hi, thanks for the opportunity. Firstly, some clarifications on your EV three-wheeler business. So right now, you have the ELE, which is basically the brand of Bestway right, is that correct?

- Dalpat Jain:** That is correct. ELE is into E-Rickshaw and that is a brand of Bestway.
- Amin Pirani:** And that is E-Rickshaw and then the investment in MLR, is that the Teja brand?
- Dalpat Jain:** That is correct. So MLR currently has Teja brand and they have diesel, CNG and electric, all the L5 vehicles which is the higher ender within the three-wheelers.
- Amin Pirani:** Okay, so through ELE you are doing E-Rickshaws and through MLR you are doing E-auto, in addition to the other three-wheelers. And is there any other E-three-wheeler that you have right now, E-Auto?
- Dalpat Jain:** No, I think within these two categories, maybe Nagesh you can come in here. Within these two categories, the entire space of three-wheeler gets covered.
- Nagesh Basavanhalli:** I think when you look at the branding, we have ELE, is our E-Rickshaw brand and out of the erstwhile Bestway acquisition and as Dalpat was saying when you look at the total three-wheeler sales, in recent data has pointed out that ELE has made up into the top 10. So, point number one, so that is on the E-Rickshaw, bottom of the pyramid, its own network and its own brand – the ELE. Then MLR through our strategic stake, sights under the Teja brand and like we have told before, we will be getting L5 product query, that will be launched also from the MLR's table and that probably when it comes out, it will have a slightly different branding but make no mistake about it that in ELE for the E-Rickshaw and Teja/ the L5 model is kind of a branding for the three-wheeler. Ampere will be our two-wheeler brand only, that is kind of how the brand build there. And since we are talking branding, Ampere will have its own dedicated destination, ELE has its own distribution and so will Teja. Obviously, Greaves Care, Greaves Retail when they are selling in further market especially, the tier 2, tier 3 they have synergies and they sell some of the products together. For example, they may sell L3 which is E-Rickshaw and a L5, so the distribution synergies are leveraged but the brand and the consumer touch points are unique but the back-end is all commonized when you look at supply chain, when you look at manufacturing synergies, when you look at HR, supply in finance, etc., all other back-end synergies we are trying to drive common, the front-end customer touch point is what we are keeping unique, partly because these are pre unique segments to pre unique customers, two-wheeler, E-Rickshaw and three-wheeler.
- Amin Pirani:** Understood. So, on the E-Auto side, right now there is, I mean after the launch of the L5 product is when you will be making a significant headway, right now the presence is extremely limited, is that correct on E-auto side, E-Rickshaw is quite big but E-Auto is very limited right now.
- Nagesh Basavanhalli:** Correct.
- Moderator:** Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.
- Bajrang Bafna:** Congratulations for the good pick up on the E-Mobility side. So, sir my first question pertains to our market share, right now if we see there are three or four players which are predominantly existing on the two-wheeler side in the market and you are a very strong player there. So, in terms of maintaining the market share, once the chip availability situation normalizes, how do you see your market share and how the

strategy is going to be, from that perspective? And my second question pertains to, what sort of capability that the company is developing in terms of post-sales service or distribution capability across the length and breadth of the country? Thank you.

**Nagesh Basavanhalli:**

Thank you for your question. So, when you look at it, we saw the trend early whether it was a two-wheeler or even if an E-Rickshaw, we got it to that and we said what is, how do we move India, how do we move last mile mobility? That kind of how we started with the two-wheeler, starting from the ASP increases, lead acid going to lithium, going to slow speed and the high speed, our transition has happened. So, I think, the market share is out there in the Vahan database in the high speed, , our CFO touched upon that earlier. So going forward we believe in the two-wheeler the market size is big, the transition is happening, the disruption is there for everybody to see because of the unit economics and we believe we will continue to invest in the right products, seeing the trends early, right capacity, partnering of the supply chain and bringing the right customer needs to the market. So, you will see that and so our focus on market share gains and focus on the growth in that sector will be a laser focus, so we will continue to focus on that. In the three-wheeler the same thing, E-Rickshaw we are beginning to make in roads, the E-Auto we just talked about it. So, while I am not going to give you a guidance on the future market share thing, obviously we look at our track record, we look at our market share over the last 4-8 quarters and you look at the trends that we have got and the trends we have worked on and I think that will give you probably an indication of the future.

**Bajrang Bafna:**

Okay and on the second question sir?

**Nagesh Basavanhalli:**

Can you just repeat the second questions please?

**Bajrang Bafna:**

Since we are not there in, maybe 10-20 years player, we have entered in this space in maybe last 3-4 years, so in terms of distribution capability what sort of steps we have taken and how we are going to move in terms of that and post-sale service also on our products?

**Nagesh Basavanhalli:**

So, clearly you are right, we were a company in transition and we were transitioning but what we have today is Ampere is spread over 400+ towns and cities and growing every quarter, point number 1. So, the advantage is in tier 1 and tier 2 towns, Ampere two-wheeler network is across 400+ towns and growing and these are typically both the sales and service centers in most of the cases. ELE has its own distribution, predominantly in the North and the East by the way Ampere is now Pan India, in fact I think still in the West and in the South equally contributes Ampere Success and the North by the way, Delhi has been one of our strong markets. So, ELE has a predominant presence in the North and the East partly because there is where the product is needed. MLR is the newest addition and clearly, we are improving the distribution there and so you will see distribution strategy. In addition to this, in addition to the three brands carrying their own distribution, what we also have is Greaves Retail which is the roughly the 200 odd Greaves Care plus Retail, which is the service Centre plus the retail, that is pan India. In addition to that we have access to 12,000 mechanics, all Greaves certified. In addition to that we have access to 7,000 retailers through the Greaves Retail network which sells best, both three-wheeler and two-wheeler. So, when you look at the network apex Ampere plus ELE, in the future, MLR distribution (that's going to vary) plus the Greaves Care, Plus the Greaves Retail, plus the mechanics and plus the retailers pan India, I would say that in a very short time we have been able to build a substantial portfolio. Last but not the least, especially in the case of two-wheeler

what we are realizing is, people especially the Gen Z and the millennials, the product heightened approach, almost 50% - 60% of the research customer buying experience happens online and when they come in for the final maybe 30% - 40% or something. And some of our stores have converted the facing point is AutoEV mart, one of the India's first multi branded EV Retail Mart is a case to point. Same thing with Ampere Experience Centre, that is going to have both the digital and then the physical stores, so you are going to see a probably a combination of physical stores and access online and a combination of two-wheeler, e rickshaw and three-wheeler combined with the network apex.

**Moderator:** Thank you. The next question is from the line of Bharat Jain an Individual Investor. Please go ahead.

**Bharat Jain:** See I have been following Greaves for past two years especially on the EV segment as the things are improving and gaining traction, I would like to understand what is the kind of number we look for the coming year 2022, 2023 where presently we have reached at a number of 10,000 per month, do we see scaling upto 20,000-30,000 per month kind of number in the coming year forward? And also, on the battery capacity or one time charge capacity which is presently 100 km, do we see something coming upto 200-250 because that is a key demand where the traction on EV will take up as years go ahead?

**Nagesh Basavanhalli:** So, I think the first part is what is the future projection, right? While I am not going to give you a future projection but I think if you look at our trend, so for example in Q2 we sold 13,000 units, in Q3 we sold 22,000 units and then FY21 Q3 was about 8300 units, now we are about 22,000, so 3x if you look at FY21 Q3 versus '22. So, the past trends will probably give you an indication, from our side are we going to be ready with the product? Answer is yes. Are we going to be ready with the manufacturing capacity? The answer is yes. Like I briefly mentioned earlier the supply chain and the global chip shortages is something that is working very regularly, we are working, we are taking mitigation steps, we are planning ahead, that is the thing we do not control 100% right. In terms of, so all in all you can look at it as the demand to our products and our product acceptance age with, so we expect the trend line to continue but I will not be able to give you an exact number or guidance. Now, coming back to the range, there two types of customers B2B and B2C. We are working with a lot of traditional B2B players who have application specific needs and for them the range requirement maybe different or they may need a specific solution, alright, including a battery stopping or extended range solution and we are working with some customers to provide that in package. For the retail consumer what we have tried is with a lot of data and we are fortunate enough to have more than 1,30,000 customers now and what we are hearing is the average consumer in the city, what our users give in reference to 65-75 km range, so right now where we are the 100+ I think we are working there closely, again can it be added more range? Absolutely the technology can be done it is only going to be a function of cost and build and that is the things we are very sensitive, we are watching the market, we are seeing what does the Indian consumer want, what does he or she want and how can we give that consumer what they want right. At the end of the day if the retail consumer changes us and wants a higher one, I think we will move there. So, I think we have the capability to move there.

**Bharat Jain:** Okay that is great. And one final question as we have come across media articles and also your commentary on few media channels that we are looking for partners for Ampere, what kind of valuations or numbers we could see for this and any timeline we have to add a partner and investor for this business?

- Nagesh Basavanhalli:** As you guys are the experts, you guys are the pundits, so in terms of valuation discussion I will leave that to you the pundits in the industry, in terms of the timeline as we already said it will take some time and it will probably be in next few years.
- Dalpat Jain:** Yes, so Bharat basically the process is on as we have spoken earlier and timelines will be first half of next financial year.
- Bharat Jain:** Okay and also are we looking for something as an IPO for the Ampere business?
- Dalpat Jain:** So, too early to talk on these things, these are subjects which Board will discuss at an appropriate time. Again, the size and the business has to reach a particular level before the right capital decisions are taken for the company.
- Moderator:** Thank you. Next question is from the line of Nikhil Chandak from JM Financials Family Office. Please go ahead.
- Nikhil Chandak:** Mr. Nagesh what I wanted to understand is basically two things, one is on the industry overall, the traditional ICE industry obviously had 560 players, now in the electric two wheeler industry the number of players maybe double or triple of that number, so going ahead how do you see the landscape really changing, do you think the traditional companies are having some kind of an advantage or disadvantages which will either help them gain the bigger chunk in the market share, it has not happened so far but I am saying over the next few years or do you think the companies which are having a strong standing in the industry, they only continue leading the industry because it is a very evolving field and the old companies obviously have; 1) Lot of resources and 2) The distribution reach. So, how do you see the landscape between the old and the new players over the next few years? And the second one very quickly on the investment raise in the subsidiary in the electric business, are you looking for a strategic partner or a financial partner? Are you just looking for funds or are you looking for somebody who will also help you out big time with the technology, etc? Given the way the space keeps evolving, would not a strategic partner who has more domain knowledge help out in the longer run?
- Nagesh Basavanhalli:** Thank you. First of all, let me start with the competition. So, I must tell you at the outset that we respect all of our competition, where they are the new age players who come in with some good ideas or the traditional people who have served India very well and are very strong players in the two-wheeler. And we believe, to answer your question in longer term, I think the market size is big, the transition from traditional ICE to electric is going to happen sooner than we all know. And the unit economics are there, petrol prices are going up, its here and now, infrastructure and charging is not such a critical thing for two-wheeler as it is probably for a four-wheeler, so we believe that the market will transition and there will be room for everybody. And in the long run, we see that traditional two wheelers, plus couple of new players both co-existed that is at least our thing and the market size is going to be big enough for both. I will also leave you with two to three other data points, the electric mobility industry is slightly different, it relies a lot on software, lot on data, it is tablet on the wheel, the distribution outlets do not need to be as extended as a traditional, so then you also look at some countries like China where there are more than 35 million plus electric two wheelers. And the winners are all, we have all sorts of winners including a lot of new players, so

hence when we look at this, then disruption happens, I think there is an opportunity and the opportunity will give way to winners both the traditional and the new age players and that is kind of how we see, we have our own game, we saw this trend early, we are not talking about this today, we were talking about this 4 years ago. We were one of the first entrants to get into this, in India and we understand India, we understand last mile mobility in terms of unit economics and that is what we are focusing on and that will be our value proposition, how can we give the customer the right value proposition, maybe it worked for India, the technology will work for India. In terms of your second question, the investment range, obviously Dalpat has touched upon it, I think we will see how the process plays itself out but at this stage we are looking for a minority investor who could be both financial or strategic but let us see how the process plays itself out.

**Moderator:** Thank you. Next question is from the line of Omkar Kamtekar from Aamaara Capital. Please go ahead.

**Omkar Kamtekar:** I have a small question with regards to the EV ecosystem that we are building, it is regarding the charger socket and the charger head, so this was a similar issue faced in EU and there was a legislation passed to standardize the charger head and charger socket. So, is there the inter-operability that can happen in the charger head and the charger socket in our vehicles and other vehicles?

**Nagesh Basavanhalli:** I think your question is little bit on the long-term standardization. I think the industry is still evolving, there is a lot of discussion happening at the the SMEV or the Steering Committee, there is a lot of discussion that is happening. Ultimately, I think we will get there, right now it is still a way towards that. So, I think we will get there over a period of time. The industry is in early stage right now.

**Omkar Kamtekar:** Okay so the standardization, how long do you see that the standardization could come within 1 or 2 years or is it further ahead?

**Nagesh Basavanhalli:** I think it will come in the medium term; I am not going to say the timelines but yes, I think it will come. What is important here is to make sure that we do this what is right for India, what is right for the consumer. It should not be because it is the right thing it affects your country and be brought back to India. What is the right thing for the Indian consumer and in India, so I think that is the debate that needs to happen and hopefully in short to medium term that will get sorted out.

**Moderator:** Thank you. Next question is from the line of Karthikeyan from Suyash advisors. Please go ahead.

**Karthikeyan:** Very interesting numbers, so a couple of questions in terms of momentum and supply chain security. So, from a battery pack point of view can you give us some indication more quantitative rather than qualitative, in terms of what is the minimum number of batteries that your supplier has committed to supply and I am asking this because of obvious reasons, so when you say the momentum will it be sustained, I am just trying to understand whether there is some commitment available from the battery pack suppliers? That would be question number 1.

**Nagesh Basavanhalli:** I understand the question regarding the supply chain and the challenges there, so what we are doing is obviously working with Indian battery pack suppliers as well as we are working with global partners including

at the chip level, so not only look at one quarter but maybe look at couple of quarters ahead and see what we can do. And obviously we are looking at our internal projections and I am saying can we protect for it. So, those conversations are on and clearly the supply chain is also ramping up, that to me is the biggest challenge we have today, the supply chain ramping upto the level that the industry needs. It I getting better every quarter and I am very hopeful that together we will be able to work through and still keep the industry growing at the pace that India deserves. I am not going to give you exact commitment because those conversations are going on, not with one but with multiple suppliers but enough to say that like this report said when you look at the Q3 to Q4 the trendline and what we have shown over here the trend lines, we are confident that we should be able to stay ahead of the curve.

**Karthikeyan:** That is helpful, as long as you stay ahead and there are no surprises down the line. Just trying to confirm that. Second question I had was related to your traditional three wheelers diesel engines business. Currently, what percentage of, I know this is a specific question but please have it answered, what percentage of Piaggio's requirement should you be meeting and how do you see that scenario evolving given that fact that they are also becoming more and more captive in their sourcing strategy, so can you clarify that please?

**Nagesh Basavanhalli:** Yes, offline I can give you that exact numbers but Piaggio is a very important customer for us and so are a lot of other automotive OEMs in our B2B business and that relationship continues. And along with the customer is watching is obviously the diesel engine demand in the three-wheeler segment and then the CNG is demand how that is evolving that is the point I think is the question now but otherwise our relationship with some of these traditional partners continues and is very strong.

**Karthikeyan:** Can you be more specific; will we be still meeting more than 50% of Piaggio's requirement or lesser? Because this has been a big overhand from a dependence point of view therefore, I am being particular about this point.

**Nagesh Basavanhalli:** Are you taking about the diesel engines now or?

**Karthikeyan:** Yes, I am talking about only diesel engines, the three-wheeler diesel engines.

**Nagesh Basavanhalli:** Yes, so diesel engines whatever Piaggio and our other customers including Mahindra where we are giving this product, obviously we have the capacity and we will deliver for them.

**Karthikeyan:** My question is how much they are taking from you? Obviously, you have been supplying for a very long time I am sure you would be able to supply. Okay last question from my side in terms of cost pressures on the electric vehicle side, particularly on the battery pack versus the price actions that you have taken, what would have been the cost increases like?

**Dalpat Jain:** So, if you are talking about the overall product pricing versus the raw material cost pricing, so at the product level we are able to manage the costing because some raw materials might have gone up, some raw materials might have gone down, so overall the price increase that we have taken is more than compensating the cost increase.

- Moderator:** Participants due to time constraints this was our last question for today's meeting. I now hand the conference over to Mr. Basavanhalli for closing remarks. Over to you sir.
- Nagesh Basavanhalli:** Thank you all for the very integrating session, deep questions and your interest in our company. Thank you very much look forward to continued interactions. Thank you.
- Moderator:** Thank you very much members of the management. ladies and gentlemen on behalf of Greaves cotton we thank you once again. Stay Safe. With this we conclude the investor call. Thank you for joining us and you may now disconnect your lines.

**For further information, please contact**

**Anvita Raghuram / Bijay Sharma**  
**Churchgate Partners**

+91 22 6169 5988

[greavescotton@churchgatepartners.com](mailto:greavescotton@churchgatepartners.com)



*Note: This transcript has been edited to improve readability.*

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