GREAVES
SINCE 1859

18th August, 2022

The Manager - Listing
BSE Limited
BSE Code - 501455

The Manager - Listing
National Stock Exchange of India Limited
NSE Code - GREAVESCOT

Dear Sir/Madam,

Sub: Transcript of the quarterly earnings call for the quarter ended 30th June, 2022

In furtherance to our intimations dated 2nd August, 2022 and 11th August, 2022, please find enclosed herewith the Transcript of the quarterly earnings call for the quarter ended 30th June, 2022 held on Friday, 12th August, 2022.

The transcript is also available on the Company's website at www.greavescotton.com

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Greaves Cotton Limited

Atindra Basu
General Counsel & Company Secretary

Encl.: a/a

Greaves Cotton Limited

Q1 FY2023 Earnings Conference Call

August 12, 2022

Management Representatives:

Nagesh Basavanhalli – Executive Vice Chairman, GCL

Dr. Arup Basu – Managing Director, GCL

Dalpat Jain – Group CFO, GCL

Sanjay Behl – CEO and ED, GEMPL

Moderator: Good morning, ladies and gentlemen, and welcome to Greaves Cotton Limited's Q1 FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nagesh Basavanhalli – Executive Vice Chairman of Greaves Cotton Limited. Thank you, and over to you, sir.

Nagesh Basavanhalli: Thank you. Good Morning everybody. Hope everybody is doing well on this Friday. Thank you all, and let's get started for our conference call, quarterly conference call.

I would like to start off by giving you all an overview of the business. Mr. Dalpat Jain, our Group CFO will take you through the financials of the quarter. I also want to take this opportunity to welcome our leadership team Dr. Arup Basu – Managing Director of GCL and Mr. Sanjay Behl – CEO and ED of Greaves Electric Mobility. They are also on the call.

Moving forward as a little bit of commentary on kind of the quarter. As you are aware, the geopolitical conflict in Central Asia accentuated the global supply chain and global economic situations. I am happy to announce that our performance in spite of all of that has been strong for Q1. The results of Q1 reflect a successful beginning of translating a future facing business strategy. It's reflecting in the market demand of our products, but it's also the positioning of Greaves and Greaves Electric Mobility as an attractive destination.

Our recent strategic partnership and investments from our partner Abdul Latif Jameel has borne fruitful results. Abdul Latif Jameel has committed a total capital investment of up to about $220 million out of which the first tranche of US$150 million has been commissioned and will be used for the purposes of expanded product development, manufacturing CAPEX expansion, R&D activities, brand building etc. Greaves Electric Mobility does have the option to draw down the additional $70 million within a period of 12 months should they want to.

During the quarter, the other parts of the business also did well. The engine segment has seen a consistent growth of diesel 3-wheeler segment on a year-over-year level. As you may all recall, this was one of the segments that was worst hit during the pandemic and with shared mobility, schools and colleges coming back, we are seeing demand improvement in that sector.

Our non-auto sector also did well partly because of the cleverness in which our engineers use different applications for different non-auto engine applications i.e., in marine, defense, construction, genset etc. Retail segment has been doing well. Both our multi-brand service and our multi-brand retail has done well. Our optimism for the future arises from the bright outlook that we foresee in few of the exciting and promising business lines, and this will help continue to maintain our success story.

I do request now Mr. Dalpat Jain to talk about our financial performance. Thank you.

Dalpat Jain: Thank you, Nagesh. Good morning everyone. Continuing with our growth momentum of Q4 FY22, we are happy to announce that we had highest ever consolidated revenue in Q1 FY23. We have great potential of growth and market expansion as a result of the diversification strategy that company undertook including entry into electric mobility. Our share of new businesses has now grown to 56% of consolidated reported revenue.

Coming to the specific numbers, Q1 we saw a revenue of Rs. 660 crores. That was growth of 188% compared to last year's first quarter and 6.5% compared to sequential quarter that we saw from Q4 FY22. Electric mobility grew 19% over Quarter 4 and had almost 18 times of revenue in the same quarter in FY22.

Consolidated EBITDA was positive at Rs. 38 crore compared to consolidated loss of Rs. 17 crores in last year's first quarter and consolidated PAT, we had a reported PAT of Rs. 16 crores as compared to loss of Rs. 22 crores in the same quarter last year. Overall, we saw very strong financial performance, and that reflects again the strength of the strategy that company overtook over last couple of years.

Net cash position post the investment from ALJ Group, at a consolidated level, we had a net cash of Ra. 1,348 crore. The cash will be used for future growth strategies including the new product launches, technology and some of the brand building that we are looking at in our B2C businesses. Company had a positive internal cash generation. Standalone we had operating cash flow of Rs. 36 crore in Quarter 1 and that again shows the strength of recovery that we are seeing in our legacy business.

Auto engines business reported a growth of 7% on a sequential quarter basis, and we are seeing demand coming back in the industry. The other area where we had seen lot of pressure in last couple of quarters was overall commodity cycle and that led to increase in the raw material cost for some of our product segments. I am happy to note the commodity cycle softening is having a positive impact as we go forward, and we are expecting raw material prices and raw materials cost as a percentage of revenue to come down in the coming quarters.

We are confident of sustaining our growth prospects supported by the product mix, technical and distribution strength, and pan-India presence. With this, I hand over the floor back to Michelle to open for interactive session. Thank you, Michelle.

Moderator: Thank you very much. We will now begin the question-and-answer session. [Operator Instructions] The first question is from the line of Raj from InVent Capital Fund. Please go ahead.

Raj: I'm calling from Rajkumar's office. My first question is that what is your competition to other electric two-wheelers who are providing high speed and high quality? And my second question is your three-wheeler segment sales has reduced this quarter. What's the reason?

Nagesh Basavanhalli: In terms of I think you talked about the high speed too. If you look at it from a strategy, when we started out both in the two-wheeler and three-wheeler, we as a company are probably unique in that sense that we are one of the few companies are doing both two-wheeler and three-wheeler. And in India, last mile mobility, 80 plus percent of the vehicles in the last mile segment is either a two-wheeler or a three-wheeler. So, (a) we are playing in the heart of the market. (b) Within two-wheeler, when you look at the price volume relationship, the heart of the market is in that roughly the Rs. 80,000 categories. Our products range from about Rs.40,000 plus to about Rs. 90,000 plus, right. So, we are playing in the heart of the category where the consumer is and when the consumer really wants to buy a vehicle.

Having said that though we touched upon a little bit about the incremental money that has been raised, and I also talked about the incremental money will be used in manufacturing CAPEX, marketing plus products. In terms of products, our teams are working on higher speed products to your point. We are currently in the slow speed and the city speed. We are working on higher speed products. That at an appropriate time we will be launching and Mr. Behl will be talking more about it. And so yes, we will be present in that segment as well, point number one.

Point number two, in three-wheeler, as you probably have imagined in the last quarter, there were commodity price increases and as part of that, we did take a price increase, and there were some short-term supply, demand things. However, that has been corrected, and we have already seen our June, July numbers bounce back. We have also incrementally added significant dealer network both in the two-wheeler and the three wheeler. So, the three-wheeler is a focus area and will continue to be expanded as we go forward. Thank you very much.

Moderator: We move on to the next question, which is from the line of Sonal from Prescient Capital. Please go ahead.

Sonal: Sir, I had a question more structural understanding. So, I wanted to understand like as the electric two-wheeler market grows and I think you and your competitors build scale, what USP a company which has understanding of manufacturing or hazard in their DNA have vis-a-vis let's say new age entrants who consider this more like a mobile phone assembly kind of a setup and so sustainably is manufacturing something which is an advantage for cost for efficiency of the vehicle and where are you placed vis-a-vis the top four, five players in that in terms of your comparative advantage is the first question? I'll just pause here.

Nagesh Basavanhalli: And you have a second question. Why don't you go ahead and then we will come back.

Sonal: The second question was more to understand the dip in the electric three-wheelers in this quarter. So, just wanted to understand that as well.

Nagesh Basavanhalli: So, in terms of the manufacturing supply chain, we would say yes, you are right. While the electric mobility product has less number of moving parts is also a tablet on wheels. It is more software oriented, but it's also absolutely true that certain fundamental nuggets of the auto industry when it comes to scale, when it comes to efficiency, when it comes to supply chain, when it comes to manufacturing, all are critical for future success while also embracing agility, embracing AI, software and connectivity.

So, I think you need to bring in the blend of the old and the new and being an early mover in this sector, remember we got into this when not very many competition was there. So, we were one of the earlier ones to believe in this market, believe in the total cost of ownership and move into the sector early. So, I think the important thing is manufacturing, and we have brought in core talent and manufacturing and quality expertise from the core group where needed. We have also brought in supply chain and incrementally working with supply chain to improve their quality levels

So, absolutely on your question number one, while the industry is slightly different, certain fundamental things in the auto industry like manufacturing scale, quality, supply chain, and even in the middle of supply chain, I think you have seen the numbers over the last couple of months, people who have been able to manage supply chains are the ones that have done reasonably well. So, I rest my case because the numbers speak for themselves. Point number one.

Point number two, on the three-wheeler, I touched upon it with the previous caller as well. So, three wheeler keep in mind, our MLR acquisition is relatively in recent times. We are building our dealer network. We are building financing network. We are building making sure that the products are ready to go prime time both in terms of the traditional segment i.e., the diesel CNG or the electric segment, right? And we are also looking at how to go to market. So, I think the MLR story will unfold itself, the three wheeler over the next couple of quarters, and you will hear more about that. We have got some ambitious plans there in terms of products and capacity expansion.

And when you look at the e-rickshaw market, like I mentioned to the previous caller, when the commodity price increase did happen, obviously, we, the team took a price increase. Because one thing that you must have seen with the GEM, GEM for now for a couple of quarters is not only growing, but it's also growing profitably in terms of both at an EBITDA level and a PBT level. So, I think we are going to maintain that stance of responsibly growing the business and making sure that we are taking care of the things that are out of our control, like commodity, like supply chain. Managing them, and we are not looking at this as a one month. We are looking at this as the long haul, and we got into this early as early mover, and how we can move from there. Hopefully, that answers your question.

Moderator: Thank you. The next question is from the line of Anubhav from Prescient Capital. Please go ahead.

Anubhav: Sir, I just have one question. For the EV division at like whatever like full scheme, what sort of profitability do you see in steady state? And at what level of sales will you achieve that kind of profitability?

Dalpat Jain: So, Anubhav, Dalpat here. Though these are still early days, but if you see our Quarter 4 and Quarter 1 results, e-mobility is now close to five percent EBITDA margin, and in a steady state, we don't see any reason why e-mobility should not be at a comparable margins of what other players have enjoyed in this segment which is somewhere around early double digit. And I would say that will still take a couple of years, if not less, in terms of the overall going to the steady state. Because as we have mentioned in our earlier calls, our focus would be on ensuring right scale up and market share gain in the initial period. Yes, we will continue to grow profitably and responsibly, but at the same time, we are not going to lose sight on the overall market share. And that's where steady state, I would say, still will be around two years from now.

Anubhav: And sir, just a follow-up. Will that path to profitability be driven more by like product mix, new product launches or like through more localization? How will like that pan out?

Dalpat Jain: So, you know, like we are already profitable, right? And we may be the only e-mobility player having a positive PAT margins. As we go forward, the increase in margins is going to be driven by both that we spoke, first, from the overall cost optimization with the increase in operations and operating efficiencies are going to kick in. So, at the gross margin level, we expect improvement from there, and with the newer product launches, which are, again, as indicated earlier, going to be more towards the higher speed segment, we are going to see improvement in margin. So, in the long or mid-to-long term, the overall journey to the steady state EBITDA margins will be driven by both increasing the gross margin at the operating leverage because of the fixed overheads and the new product launches that are planned by the company.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: My question is on the revenue side. So, I want to know how much revenue we have for the Bestway and for the Ampere for the Q1 FY23? And what are our expectation going forward?

Dalpat Jain: So, Jyoti, if you look at our overall e-mobility revenue in this quarter, that was close to 48%, and within that, the mix between three-wheeler and two-wheelers will be somewhere around 90% two-wheelers, 10% three-wheelers.

Jyoti Singh: And sir, my second question on the price hike. So, how much we take the price hike during the Q1 FY23?

Dalpat Jain: So, our overall price realization in two wheelers if you see from the numbers is now close to Rs. 97,000 per vehicle including from customers and subsidies, and the price increase was commensurate with the kind of raw material cost increase that we saw in the quarter.

Jyoti Singh: And any further plan for the price increase?

Dalpat Jain: So, that will be driven, Jyoti, more by how we see the market panning out both on the demand side as well as on the cost front. Good news is on the cost front, we are seeing overall commodity cycles softening, and hopefully, the cost pressures will not be there to drive the price increases. The price strategy will be more driven by the demand in the market as you go forward.

Jyoti Singh: And sir, my third question on the e-mobility side. As Greaves Cotton enter earlier, but now competition is tough as everyone is entering into EV front. So, what is the our strategy to survive in this competition?

Nagesh Basavanhalli: So, thanks, Jyoti. First of all, I think entering in earlier, bringing in the right foundational blocks, starting with the people. We brought in the leadership team, and now under the CEO, we have a good CXO team, right? Building the manufacturing capability and doing it in the right way, frugally, but yet create the capacity, bringing in the technology and the technology modes associated with it, getting the product that the customers want to buy, understanding the consumer as to where the consumer wants to buy, and which feature or which features does the consumer want to pay for takes a lot of deep understanding of the customer whether you are a B2C customer or a B2B customer.

Greaves Cotton has always had deep relationships with customers, right? And building the network, expanding the network and continuing to keep driving this as we go forward. So, I think there are multiple things, and the team continues to keep working on it, and you are going to see more and more actions as we go forward including brand building and creating brand Ampere, which is aspirational.

Jyoti Singh: Thank you. The next question is from the line of Kapil Singh from Nomura Group. Please go ahead.

Kapil Singh: My first question is wanted to understand how you see the evolution of market at, you know, various price points because there are products available at Rs. 80,000, Rs. 100,000, Rs. 150,000 as well? And you being one of the leaders are interacting with bulk of the customers who are coming through. So, what really are they looking for? Are they looking for, and I am talking about large majority of customers. Are they looking for a higher speed, higher range? Or do you think the current price points at which we are operating are the right price point? And what is the price point that you would want to straddle as you look forward over next two, three years?

Nagesh Basavanhalli: I will start and maybe I will have Sanjay Behl also jump in here. So, one of the things like I said before, I believe understanding the Indian consumer, understanding the Indian market is very, very important. We need to give the Indian consumer the product that India wants and not a product that is designed or developed somewhere else, right? So, I think also the meat of the market is that Rs. 80,000 to 90,000 that I touched upon at the very beginning, right. So, we believe we are playing in the right market set. We also have plans to do high speed like I touched upon at the very beginning. So, I think we have a solid plan going forward. Sanjay, you want to add on the consumer side?

Sanjay Behl: Look, we looking at India segmented as about close to 100 million people, 70 million aspirers and about 30 odd million middle class even if I leave the top three or four million which are categorized as rich and trendy. So, if you look at the belly of this market, belly of the pyramid of India, what we cater to and our proposition is to accelerate and be the tipping point of electric mobility to accelerate all the aspirers who are wanting to come either to personal mobility segment or wanting to shift from an IC proposition to an electric mode, cleaner energy proposition there. So, there are 70 million aspirers and 30 million middle class there. So, that's a very large segment yet to kind of be penetrated with the propositions that Ampere as a product has.

Coming specifically to what is going to be driving that, a very large part of this is going to be still early adopter, though there is going to very quickly move to early majority. And what are they seeking today? The first thing they are seeking or what is appealing to them in electric mobility is low total cost of ownership. As you know that an entry price is always comparable to IC, especially with frame to subsidy triggering in. That's accelerated the industry, and the overall cost of ownership really becomes a very attractive proposition then.

The second thing which is now improving dramatically is both in terms of speed and range that electric mobility offers is getting comparable to IC. So, that is the second very big trigger for the market to really happen. And as we move beyond the basic performance, reliability, the next set of features will be design, style, comfort. All those features will start building up and then further trigger the entire market there.

So, what you will see from Greaves Electric Mobility range is it's really our product range spanning across basic functionality, reliability, moving up to design style, and then moving up also to smart connected scooters, which is also becoming a segment that is inspired by mass of India, which will talk about all the connectivity features, data science and all those things you'll start building in there.

So, we are looking at the full stack offering, starting from very base level functionality regarding to style design and to connected scooters. So, we will be represented across all the frequencies. I can take any other question if you have here.

Kapil Singh: Just a small one. If you could talk about what is the order book or the average waiting period that you have right now?

Sanjay Behl: What we have done is over the last quarter or so, we have dramatically ramped up our manufacturing capacity. So, if you see our numbers, we sold over 28,000 odd scooters in the last three months in the first quarter in April to June, and that's led to pretty much filling up the catch-up phase that we were earlier in. So, currently, we would be in the one to two week kind of a demand cycle.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Joindre Capital. Please go ahead.

Hiten Boricha: Sir, my first question is related to clarification. You mentioned we have a price realization of Rs. 97,000 per vehicle. Is it only for two-wheeler or like three-wheeler? For electric three-wheeler?

Nagesh Basavanhalli: Magnus EX. Three-wheelers will be depending on the model, it will be different.

Hiten Boricha: So, it's two-wheeler price. So, this is only for two-wheelers, right?

Nagesh Basavanhalli: Yeah.

Hiten Boricha: And sir, can you help me with the current capacity utilization in this e-two-wheeler segment?

Dalpat jain: So, Hiten, as we have mentioned earlier from our Ranipet plant, we have manufacturing capacity of 20,000 vehicles a month in a single shift now and with the increase in shifts, if required, we can increase. But having said that, that's about Greaves Electric Mobility manufacturing capacity. We also have supply chain who are able to produce the parts and all of it. So, considering the overall ecosystem, we are almost close to 100% in terms of our overall capacity utilization, and we are working on increasing the capacity at the suppliers and also entering into strategic partnership and contacts with the larger suppliers and trying to build their capacity to align with our overall manufacturing capacity.

Moderator: Thank you. There is a follow-up question from Sonal from Prescient Capital. Please go ahead.

Sonal: I had two questions. First one, just wanted to understand out of these 29,000 odd vehicles we said we have sold this year, the electric two-wheels, are there some B2B tie-ups we have done with the new age delivery tech companies? Anything you have there as a plan, as a strategy, which you could share? That's the first one. And second is more again, I think, structurally trying to understand where do you see the, is there a gap at all between you and the other two, three dominant players in the market? And structurally, like if you identified where are you vis-à-vis them, if you could share maybe two three pointers for us to understand from a product, from marketing or distribution perspective, what is the journey that you have, from where you are vis-à-vis where you want to be compared to competition?

Nagesh Basavanhalli: I think some of this we answered in the earlier calls. But Sanjay, you want to take that? B2B Q1 sales out of the 29 and then this one.

Sanjay Behl: I got the understanding of the B2B part of it. The second question I would want you to just rephrase for my clarity there. But let me answer the B2B part there. It was a question where you said that what are the current B2B kind of do we have a volume going there and who are the key partners there? We have been a preferred partner for Domino's now for quite some time. We have been supplying vehicles to them. So, the sale that you see in Quarter 1 does include the sales that we have made close to about 2,000 vehicles to Domino's, and we are doing, we are continuing to be their preferred partner.

Apart from that, both for two wheelers and three wheelers, we have been doing, and I am talking about the Domino's is a two-wheeler sale which is a product called Zeal, Z-E-A-L, which we sell to Domino's. In addition, we have undergoing advanced level of kind of closure talks or dialog and trials with many players, many B2B players. So, we have just completed our trials with Amazon where we have been in cities like Pune, Nagpur, Gwalior. Multiple city trials have been done with Amazon. There is a location and demo plan already tied up with BigBasket. So, the whole vehicles are being evaluated. So, there are many of such thing with digital, with delivery, with many more players. So, there are a lot in pipeline, some nearing trials and closure stages. Some in the early stages of discussion. So, yes, B2B is a vertical that we are looking very, very carefully, and we are building business, and we already have some momentum in that part. If you can just repeat your second question about distribution, I didn't get that.

Nagesh Basavanhalli: I think the second question was structure, and how we are gonna differentiate ourselves versus competition? While I don't want to get into exactly the competition, I think, what I want to focus on and we saw the opportunity very early. We moved in very early. We were specific on which segments and which areas to go after, two-wheeler and three-wheeler, in that order. We said the unit economics we understand. We said we will bring in network, manufacturing, supply chain, products, design, capability in-house, right? So, we continue in our journey, and we are building technology modes. And the consumer acceptance of our product keeps increasing, and I think as we go forward, we will continue to keep working on that. And the case in point is the numbers that speak for themselves. And I will just rest the case there.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: I just had one question in e-two-wheeler mobility speed, what is the frequency of servicing which is required? And do we have adequate servicing network available?

Nagesh Basavanhalli: Sanjay, do you want to take that servicing of two-wheelers?

Sanjay Behl: So, look, we do have the basic, at a very broad level, the servicing requirement of an e-two-wheeler is much lower than an IC-two-wheeler, because the number of parts are just a fraction of the total, you know, parts that an IC engine requires. So, clearly, as you understand, it's a change from a mechanical kind of a delivery system largely to electronics, and that also with reduction of the parts and the mechanics of the engine. The real servicing requirement is extremely low. So, overall if you see, in a life cycle of a scooter, the servicing in the first three to six month period is much lower than what a typical IC scooter requires.

Coming to the second question that you said that do we have, what's the service and spare kind of a strategy that we are working on or what is the kind of a network we have? So, we have 288 active dealers today as part of our dealer network in Ampere, and each of these points is having spare parts with them and is capable of extending a service proposition to all the Ampere customers which becomes the first port of call for servicing our scooters.

The second port of call is the Greaves Care Network where we have a massive amount of many numbers of trained engineers who are sitting, trained mechanics who are sitting, and Greaves Care becomes another umbrella in which we are able to direct through Ampere Care as a platform. So, we have a platform called Ampere Care where our customers can reach out. So, we can send them to the nearest dealer network which can give them the spare parts available there immediately and then address the service request, or if it's a real spare network that needs to be reached out to, that can be concerned with the customer. So, both these networks pretty much have a very expensive pan-India presence today to be able to meet the service requirement of our customers.

Moderator: Thank you. The next question is from the line of Pankaj from Affluent Assets. Please go ahead.

Pankaj: Sir, you mentioned that you have a peak capacity of 2,40,000 and each vehicle is more or less realizing around the Rs. 1 lakh. So, would it be safe for me to assume that at peak capacity, we would be having a revenues from e-mobility segment around 2,000 crores?

Dalpat Jain: So, though we don't give forward guidance, Pankaj, but if you look at the calculation, from a math point of view, you are right, because we are having a monthly production capacity of 20,000 vehicles per shift, which is 240,000 in a year. And if you look at our average realization, now it's close to Rs. 97,000. So, your math is correct to that extent.

Pankaj: And what in case of as and when this peak capacity is achieved, what would be the tentative EBITDA margins? Would it be at the same 5% margins or we would be able to jump towards double digit?

Dalpat Jain: So, Pankaj, if you look at the numbers of Quarter 1, our gross margins were close to 20% and EBITDA margins were close to 5%. The 15% which is there between gross margin and EBITDA, major part of it is fixed overheads, and they are not going to increase in the same proportion of volumes or the revenue growth. So, we expect margin expansion. Yes, some level of sales and marketing activities will build up as we go forward to build the overall Ampere and the other group brands, but having said that, with the increase in volume, we expect margins to expand purely because of the operating leverage that we have in this business.

Pankaj: Sir, second thing. In line with what the industry, I mean, ICE engine industry does, is it possible for us to give monthly numbers every first week or maybe first of the month?

Dalpat Jain: So, Pankaj, EV numbers are also available from Vahan portal every day actually and the end of the month. In terms of formally disclosing from the Company, there are some of the considerations which we are having in line with the compliance requirement, and at appropriate time company will start doing that.

Pankaj: Last question, if I may. Would you please help me with the AMP numbers as a percentage of sales? And as I understand, well, I may be ignorant. I do not see much of eyeballs or TV time for Ampere as a brand whereas there are few others who have already made some clash. So, just wanted to understand if we are planning for any such thing going forward?

Dalpat Jain: So, Pankaj, I'll start in terms of the AMP expense as a percentage of total revenue. That is sub 3% in our B2C businesses, and at a company level, it will be close to 2% if you look at the P&L. From the marketing strategy point of view, company has been more focusing on performance marketing. You will see us in the digital media. If you come across any of the electric mobility vehicle, you will start seeing Ampere following you out there. So, so far our overall marketing campaigns have been more performance marketing oriented. Going forward, yes, there are plans and maybe I would like Nagesh to add on the future marketing strategy.

Nagesh Basavanhalli: So, I think, Dalpat, you covered most of it. I think as we relate to Ampere as a brand, like, that Dalpat talked about, I think there is a plan now especially under Sanjay to kind of grow the Ampere brand to an aspirational brand. You are going to see more about it. Short-term demand has exceeded supply. Performance, marketing, digital marketing has helped us, and as and when over the next couple of quarters you are going to see Ampere being built into a truly aspirational brand as well. So, we will not hesitate to put in the marketing dollars as and when it's needed, and you will see some of that, but we will also watch very carefully the growth and the profits at the same time, and the market share of course.

Moderator: Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital Advisors. Please go ahead.

V.P. Rajesh: I joined the call a little bit late. So, you may have answered this question, but I was curious what has happened on the engine side that we are seeing very good growth in this quarter?

Dalpat Jain: So, Rajesh, you rightly observed on the engine side compared to, if you go back pre-COVID, engines overall were at a particular level of let's say 300,000. Overall shared mobility was used across. COVID had a very significant impact on the shared mobility, and that is where we saw overall three-wheeler industry coming down from 600,000 to almost 200,000 in the peak of the COVID, and that had impact on our engine segment where we saw worst of the quarters in Q1 and Q2 of financial year '22. Good thing is from Q3 onwards, we have started seeing recovery, and now our engine volume have grown. We have seen a quarter-on-quarter growth of 7% compared to Quarter 4, and overall industry also is now inching towards 500,000 a year in the three wheeler. That's the first part.

Second part, the shift that we were seeing in the alternate fuel side, so the share of CNG which was increasing, again, there is a pricing dynamics, which had started working in favor of diesel because CNG prices with the overall fuel price is going up. Now on the operating costs, diesel is also becoming comparable, and we are seeing consumers, particularly in the tier 2 and tier 3 towns, moving back to diesel vehicles. And that is where we are seeing volumes expansion in our auto engines, and we expect that to continue as we go forward. In fact, demand was higher in Quarter 1 compared to what volumes we did. Because of global chip shortage, almost 15 to 18% of the demand in auto engines could not be fulfilled.

V.P. Rajesh: My second question on the aftermarket side. You know, there is a big opening up happening all across. So, what kind of growth do you expect in this year?

Dalpat Jain: So, again, Rajesh in the aftermarket side, what we saw in last year's Quarter 3 and Quarter 4, things started picking up, and that pickup continued in the current year's Quarter 1. So, the loss what we had seen in last year's first two quarters because of COVID, that we are not going to see in financial year '23. And overall we are seeing a strong momentum. Considering the seasonality between Quarter 4 and Quarter 1, still we saw almost same revenue in Quarter 1 compared to Quarter 4, and that augurs quite well for our aftermarket business, and from here on we see the growth continuing in the coming quarter.

V.P. Rajesh: So, will it be a double-digit kind of growth this year or it should be, right, because we had two bad quarters last year?

Dalpat Jain: Rajesh, I will not be able to give the specific numbers, but as you rightly mentioned in terms of the overall market, it's opening up. And if you don't see another Black Swan event coming in in form of any other kind of pandemic or virus etc., I hope this momentum should continue and that should lead naturally to the growth numbers that you are talking about considering we had two quarters loss in last year.

V.P. Rajesh: And lastly on the e-two-wheeler side, did we gain market share in this quarter or how did that play out? Meaning was our volume growth higher than the industry?

Dalpat Jain: Yes. So, if you look at our investor presentation we have declared, so as per the Vahan data, we had close to 15.2% market share, and that's almost 200 basis point gain compared to the previous quarter.

Moderator: Thank you. The next question is from the line of Jain from Shree Sampann Assets. Please go ahead.

Jain: Congratulations for the new investments which have been bought in and the good performance. Last quarter we had discussed about new variants being launched. So, any timeline for the new vehicles to be launched? And what is the way forward we look for when we see next two years for the Ampere?

Nagesh Basavanhalli: As we had mentioned, we are working on as part of the fundraise in terms of bringing new products. So, two wheeler, see, we are one of the few people who work on two wheeler plus three wheeler, B2B and B2C. So, we are working on a couple of products, both in the two-wheeler and in the three-wheeler segment. Two-wheeler you will see us naturally progressing to the higher speed kind of market, and in the three-wheeler, you will see us progressing towards across the fuel lines and into both B2B and B2C segments. Yes, so some of the fundraise is helping us fuel more product innovations, and between now and the end of the year, we will have some launches, and as we get closer to it, we will talk more about it.

Jain: And can you share some, put some light on the arrangement with Bounce mobility?

Nagesh Basavanhalli: Bounce mobility, Sanjay, do you want to talk about that at a high level?

Sanjay Behl: So, the arrangement with Bounce mobility is on the battery swapping area. That's the platform that we are working with them. We are trying some vehicles. We have given some vehicles to them, and we are looking at a battery swapping platform with Bounce from Ampere. So, that's the arrangement. If you want more details, then you can take it offline.

Moderator: Thank you. There is a follow-up question from Anubhav from Prescient Capital. Please go ahead.

Anubhav: Sir, how is the geographical breakup of like Ampere Zeal, like is there a particular region we are stronger in?

Nagesh Basavanhalli: Sanjay, you are pan-India now, right? We started off obviously being strong in the south by nature of where the company was born, right. But very glad to report today, we are pan-India. Not south, east, east, and west. Our dealer distribution, our market sales, our penetration all depict that.

Sanjay Behl: So, we today have close to about 288 dealers. That was the active dealer numbers, and that's as Nagesh said, it's pan-India. Across all the four regions, we are extremely well represented, and across all the states of India, political states of India, we would have an active dealer, actually many active dealers at this point of time. So, if you want to just know the region's wise numbers that are there, broadly about 20% of our dealers are of these 288, so about 50 dealers are in north, about 30 are in east, and about 60 would be in west, and about 120 would be south. South as Nagesh said, it was the region from where we started. So, just to give you, so it gives you a fairly good understanding that we have very high number of dealer penetration across the country.

Anubhav: And sir, like, is financing an important aspect for like customers for e-two-wheeler purchase? And do we have some financing tie up with somebody?

Nagesh Basavanhalli: Yeah. So, let me take this. In terms of overall financing penetration, we have seen that improving and for Ampere now financing penetration is close to 30% overall. And we have tie up with most of the well-known financial institutions in India including Greaves Finance who is also driving that overall financing ecosystem in Indian e-mobility sector.

Moderator: Thank you. The next question is from the line of Karthi from Suyash Advisors. Please go ahead.

Karthi: Dalpat had talked about, you know, supply chain being currently around the current first quarter run rate. Just wanted to understand if you had to get to say a number like 200,000 on an annualized basis, what would be the biggest constraint today? Can you also talk about the current cell, you know, security? Some clarity on that could be helpful.

Dalpat Jain: So, Karthi, on the overall supply chain, today the critical parts which are specific for e-mobility or electric vehicles, the ecosystem is still developing. So, in terms of power trains, battery management system as you know, and global chip shortage, which is a well-known fact, so these are some of the elements which are having constraint in terms of specifically designed products that are required for Ampere. We see these constraints to remain in the short term. We may not be able to have the entire production in line with what is the total demand in the market, but that should get sorted out as we see this geopolitical situation easing up, and hopefully with that, at least the global chip shortage and the battery management pack related issues should get resolved in coming quarters. It has improved. So, if you see compared to last four quarters, overall things have improved significantly, but still there is a little way to go before we see the overall constraints getting removed.

Karthi: I was asking you what is the current line of sight for cell availability, you know, three months, six months? What is the current cell availability?

Dalpat Jain: Actually our supply chain plans for two quarters in advance. So, in terms of our tie ups with the global direct suppliers etc., we have two quarters of planning, and that's the kind of visibility that our manufacturing supply chain people have. Obviously, that is not as per the 100% of the demand, but still we are improving on fulfilling the overall demand cycle.

Karthi: And one question in terms of the new partner who's come in. Has any business plan been crystallized? Are there any details that can be shared currently or should that wait for a later date?

Dalpat Jain: So, Karthi, some of the details we have already been talking about and you are seeing that in the numbers as we are looking at the growth going forward. We are also going to talk about it in more details as we go forward and you see we as a company don't give forward guidance in particular. But you will see the trends becoming more and more clearer now.

Moderator: Thank you. The next follow-up question is from the line of Raj from InVent Capital Fund. Please go ahead.

Roshan: I am Roshan from InVent Capital Fund. I wanted to know about the business model of Greaves Technologies? And my second question is with your strong technology, when will you be number one in sales?

Nagesh Basavanhalli: So, Greaves Technologies is our engineering services division. They do a lot of engineering work in terms of for global MNCs both in India and outside, right. So, it focuses on our strengths and we are continuing to build that capability. And by the way, in fact, some of them do help group companies also on a project arm's length basis as and when Greaves Electric Mobility or any one of the other divisions need help, right. So, that's kind of where the thought process is. So, currently it's an enabler or it's a smaller business for us.

And in terms of your other question one as I believe when do we become number one? I am assuming that is on the electric mobility side, right? So, clearly, the way we look at this is this is a marathon, and we got into this early. We saw the trend early. We are going to focus on doing the right things in terms of understanding the consumer, the market, the products, the indigenous product development all the way, and what I mean with that is from design, styling, all the way to manufacturing and supply chain, bringing in supply chain partners. So, are we doing the foundational stuff right? Are we focusing on technology modes? I think the answer is yes. I think the outcome will follow, and I am not going to comment on that.

Moderator: Thank you. The next question is from the line of Gotham C. Jain from GCJ Financial Advisors. Please go ahead.

Gotham C. Jain: My question pertains to in e-three-wheeler, your sequentially volume has come down significantly, more than one off. Can you just highlight what was the reason?

Dalpat Jain: So, Mr. Jain, I think this was a question which was also answered earlier. We saw some of the factors which were specific to Quarter 1, and that's not going to continue as a trend.

Gotham C. Jain: And can you give some guidance on your e-two-wheeler sales for next year? What are your internal targets? And what your capacity will be for e-two-wheeler?

Dalpat Jain: So, capacity we already talked about. We are now at 20,000 per month or 240,000 per year in single shift. With the increase in shift, we can increase that particular part. So, that gives an indication of what is the kind of demand that we are looking at in future.

Gotham C. Jain: And what is order pipeline? I mean, do you have some waiting period?

Dalpat Jain: Yeah. Like Sanjay mentioned in the earlier question, there is a two to three weeks plus of waiting timeline as of now.

Moderator: Thank you. There is a follow-up question from Jyoti Singh from Arihant Capital. Please go ahead.

Jyoti Singh: Sir, my question is on the new launches side. So, if you can throw some light who will be the main supplier for Greaves Cotton for the new launches in the auto ancillary front?

Nagesh Basavanhalli: So, I think your question is on supply chain. So, Jyoti, I think we have supply chain partners who are very credible and capable, I mean, and we are very encouraged to note that a lot of more capable suppliers are coming on as we get into newer and newer products and the volumes are improving, right? And it's a myriad of suppliers across the some of them the traditional automotive tier one, tier two suppliers and some new age suppliers, right, who are getting into this industry because of the focus on software and electronics. So, we got a combination of both. I don't want to get into specific names in this call, but enough to say that we are working with supply chain partners and looking at them as strategic partnerships in some cases, and in some cases looking at where we own the design, and we work with them for manufacturing. We are doing both.

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

Nagesh Basavanhalli: Thank you very much. We appreciate everybody's ongoing interest. We are certain that we can ascertain our position due to the interest from our customers, our products, strong emphasis on operational efficiencies, and robust distribution network. Thank you everybody for joining in on our call. If there are further questions, please do get in touch with our Investor Relations Advisor Churchgate Partners.

Just a quick note on an upcoming event. You must have gotten or there will be an invite that will be going out soon for the 25th of August Investor Day by Greaves Cotton where management will be available to take detailed questions and present some of this in more detail. So, I welcome seeing you all or answering your questions at a forthcoming event. Thank you very much for your time. Have a wonderful weekend.

Moderator: Thank you. On behalf of Greaves Cotton Limited, we thank you once again. Stay safe. With this, we conclude this investor call.

For further information, please contact

Girish Ahuja
Sr. General Manager- Marketing & Communications
Greaves Cotton

+91 22 4171 1700
investorservices@greavescotton.com

Anvita Raghuram / Bijay Sharma
Churchgate Partners

+91 22 6169 5988
greavescotton@churchgatepartners.com

Note: This transcript has been edited to improve readability.