



Ref. MP/hrh  
9<sup>th</sup> August, 2017

Stock Code: BSE- 501455  
NSE- GREAVESCOT

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Dear Sir,

**Sub: Disclosure under Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30(6) of SEBI ( Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Investors Call held on 8<sup>th</sup> August, 2017.

Kindly take the same on record.

Yours faithfully,  
For Greaves Cotton Limited

  
Amit K. Vyas  
Company Secretary,  
Head- Legal & Internal Audit

Encl: a/a

## Greaves Cotton Limited

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**Greaves Cotton Limited**  
**Q1 FY 2018 Earnings Conference Call**  
**August 08, 2017**

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**Moderator:** Ladies and Gentlemen, Good Morning and Welcome to Greaves Cotton Limited's Q1 FY 2018 Earning 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 opening remarks are concluded. Should you need assistance during this conference call, please signal the operator by pressing '\*' then '0' on your touchtone telephone.

I would now like to hand the conference over to the Managing Director and CEO -- Mr. Nagesh Basavanhalli -- Greaves Cotton Limited. Thank you and over to you, sir!

**Nagesh A. Basavanhalli:** Thank You, Good Morning, everybody and thanks for joining us today. I have with me here couple of my colleagues, who will also be part of this conversation today.

In terms of getting the conversation started as far as the overall business for Q1 was concerned Greaves Cotton maintains a steady top-line despite a challenging Q1

The PAT, profit after tax for the quarter ending June 30th, was Rs. 41.2 crores, as against a Rs. 38.5 crores for the last year. Thereby, we saw a 7% increase in PAT. Some of the strategic initiatives with the management team along with the focus on operational efficiencies as well as growing some of the other businesses in the middle of the stuck quarter helped us realize the PAT.

In terms of the Q1, the revenue reported was Rs. 454 crores, as against Rs. 445 for the previous year's quarter ending June 30th of 2016 and there was higher growth in certain businesses which resulted in the slight revenue increase over the last year.

With a higher focus on operational efficiency another sustainable effort on cost control which remains our primary focus we will continue to maintain that performance and the focus as always will be on both operational efficiencies as well as our top-line growth.

Last quarter saw a couple of important initiatives that we have seen through, first of all, the GST implementation which will benefit the entire industry over the longer-term, shorter-term of course, we along with the rest of the industry continue to work through some of the short-term challenges.

This quarter, Greaves Cotton also announced this past quarter 2 important announcements. The first one was, our strategy that to get from a Diesel Engine to Fuel Agnostic Powertrain Solutions provider. And what this means is obviously also getting into a serious play in terms of Petrol, CNG, and other Fuel Agnostic plays. As part of that we signed an agreement, a technology partnership agreement with Pinnacle Engines to introduce our Opposed Piston Petrol/CNG Lean Burn BS-VI Compliant Engines, which will be market ready ahead of the BS-VI launch.

The second announcement was the introduction of the 2 Power Tillers which we have started seeding in select parts of the country in order to increase our portfolio in the Agri space.

Going over to the Aftermarket space reach has been one of the key enablers for Greaves in addition to the brand has been the reach that has helped us. We continue to strengthen this network and this reach with a higher focus on Aftermarket needs of our customers across all the businesses groups. Then when it comes to Agri, we see a good monsoon that hopefully augurs well for a positive outlook and we also see this having a positive impact in the second-half of the year across all other businesses especially as the government starts to focus more on farm mechanization new infrastructure and industrial projects.

Last but not the least, we continue to invest like I have said before in strengthening in R&D and bringing in new technology and adding capability as well as rebuilding our distribution networks where it is needed globally.

With that, let me hand over the mic to Mr. Narayan Barasia who will take you through the financial results. Over to you, Narayan!

**Narayan Barasia:** Thank you, Nagesh. A very good morning and thank you very much for joining this quarterly earnings call.

Greaves Cotton has reported revenue of Rs. 454 crores for the quarter ended June 30th, 2017 as against Rs. 445 crores for the quarter ended 30th June 2016.

The profit after tax for the quarter ended June 30th, 2017 is Rs. 41 crores as against Rs. 38.5 crores for the corresponding period last year. Thereby, growing at 7%. EBITDA for the quarter ended June 30th, 2017 is Rs. 55 crores as against Rs. 60 crores for the same period last year.

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

**Moderator:** Sir, can we start with the Question-and-Answer Session now?

**Narayan Barasia:** Yes.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. We take the first question from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

**Bhalchandra Shinde:** Good morning Sir, regarding our Leap Engine actually I wanted to ask that 2 -3 years back when we introduced Twin Cylinder Engine, we were not able to penetrate to the customers and now we are trying for Three Cylinder Engine. But as per my understanding most of the OEMs already have their own Engine manufacturing facilities. Why you think that will be able to succeed into this new Engine? And second question actually I want to ask is like due to the introduction of Electric Vehicles, Electric Three-Wheelers especially. Don't you think that it will impact us over a longer-term more on the Diesel Engine side?

**Nagesh A. Basavanhalli:** So, thank you for your question. Let me address your questions, may be the second question first. From the macro economic scenario, clearly in terms of the Diesel impact and the challenges that some of the major cities will have on Diesel ban I think is very well known and very well-articulated. Obviously, we are watching that very closely and as part of our strategic exercise we have factor that in and that is kind of why we are looking at a fuel agnostic portfolio. What we mean by a fuel agnostic portfolio is obviously to have a very competitive Petrol, CNG option and we continue our R&D focus is on looking at advance technologies. While I am not ready to announce anything on the EV space today but clearly, we are aware of the technologies and where & what could be the tipping point. As management team, we are looking at obviously the readiness, the maturity of the technology, the cost to bring it to market, Greaves has always been a leader in terms of total cost of ownership and getting the right value proposition for our customers. We remain committed to getting the right value proposition for our end customer whether it is in the diesel space or the other fuel agnostic space. So, as and when we are ready to talk more on the EV space, I will come back and obviously, we will have a long discussion on that. So, enough to say that our R&D team is very vigilant and we track all emerging technologies. In terms of the Leap Engine, Leap clearly is part of our automotive Engine strategy, as part of our 5 year plan and you are absolutely right, Leap is part of the platform that can go while we started off with Three Cylinder Engine, it can go down to Two Cylinder Engine or it can go up to Four Cylinder Engine and clearly we are talking to multiple partners globally and as and when like we have said in the last call as well, this process takes a good 18 months as we know for BS-VI we are in various discussions with various partners all over the world, as and when we are ready to announce something specific on Leap we will be very happy to share that.

**Bhalchandra Shinde:** Sir, but why you think that you will be able to succeed, is there any cost competitiveness, means like if a manufacturer is manufacturing that engine because already most of the manufacturers are manufacturing at scale those Engines around Three Cylinder Engine like I guess Tata, Mahindra, or any other OEM, is actually manufacturing those Three Cylinder Engine or Four Cylinder Engine already and that to in a scale. On Single Cylinder, we always had this problem that no one was the scale manufacturer and we were having that advantage. So, what kind of advantage we have?

**Nagesh A. Basavanhalli:** Okay. I think it is a fair question. So, again, I go back to the value proposition. I think it's a sustainable value proposition what we want to give and it goes back to do we have the right technology? Do we have the right scale, the service level, and are we going to be ready for BS-VI? As we have said, the Leap is already at BS-V levels and we have protected it for BS-VI obviously, point number #1. Point number #2 is you have mentioned a couple of automakers but our cast of net is wider while I am not at liberty to share it. Obviously, some of them need a Diesel Multi Cylinder Engine and that's why they are actively talking to us because either they do not have it in their portfolio or they are looking at augmenting their portfolio with an externally bought Engine. That is kind of how we have always succeeded is to offer the right value proposition and go to customers and make sure that our value proposition is better than their in-house or in some cases where they don't have it our value proposition is better. And so, I think we are having multiple conversations and that continues to progress. As and when we have something to report, we will definitely be in touch.

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

**Ashutosh Tiwari:** Can you please share the volume numbers for Three-Wheeler, Four-Wheeler, Genset, and Pumpset?

**Narayan Barasia :** Yes. So, Ashutosh, Three-Wheeler has been 65,000 last corresponding quarter one last year; 63,000 quarter one this year. Pumps has been 23,000 quarter one last year to 21,000 this year. Tiller has been 2,000 to 1,000 this year. Genset has been 900 to 1,100 this year.

**Ashutosh Tiwari:** Okay. Sir, secondly on the Pinnacle, I mean if you look at the industry per se the larger players in the market already have their own Petrol Engine. So, why do you think that we can succeed in that and who will be looking at in terms of supply of these Engines?

**Nagesh A. Basavanhalli:** So, I will take the first initial cut at this and then my colleague Tarun can add as appropriate. So, clearly we believe the Pinnacle technology because it is a revolutionary Opposed Piston concept. It offers an incremental value proposition. And what I mean with that is when it comes to fuel economy, when it comes to performance, and when it comes to meeting emissions. When you look at the sweet spot of reaching or leap frogging in terms of these three I believe that's kind of where the value proposition is at the right cost. So, clearly that is kind of where we see this technology, coming first to this part of the world, through our association with Pinnacle and clearly, when it gets to be a pitch being ahead of time for BS-VI, we believe that is the right value proposition why a couple of the customers would be very interested in that technology. I will also request Tarun to add, if he has any other points.

**Tarun Khanna:** No, I think Nagesh covered it. So, it is basically a leap frog technology which allows us entry into the Petrol, CNG, segment of the market with a very-very competitive offering that is best in class in terms of performance, economy and emissions, so that triangulation basically in

terms of the optimization of those three parameters at the right cost. So, we believe it offers the OEMs who are playing in that market already, or may not be playing in that market significantly today but it offers them an opportunity to play in that market and with our partnership on this we believe we can be successful.

**Ashutosh Tiwari:** But if you look in Three-Wheeler space I think things are fast moving to Electric Rickshaws and all. And So, do we really have a big market I mean because we are looking at 2020 and beyond for these BS-VI Engine? So, won't you think that Three-Wheeler market share will shrink by that time because of shift to EVs?

**Nagesh A. Basavanhalli:** Yes, so I think I have addressed that before. But let me, I think we see this market as clearly in some of the key markets if Diesel declines, right. We see CNG gaining traction, if you look at the government footprint of CNG and how that's coming in. CNG definitely will get traction in certain parts of India, right and we have a network, the government is actively pushing for it, we know what that is. So, with the Petrol Diesel parity, Petrol will also start getting. So, what we see is a shift going from Diesel to Petrol to CNG and ultimately going to Electric. I believe, if you look at the cost economics, when you look at the cost of the battery, where it is in terms of per KWH cost today, and where it needs to go, clearly, its dropping. Is the tipping point reached today, the answer is no? Will it get there at some point of time in the future? The answer is yes. In between there is clearly Petrol, CNG, other option which is where we really believe Pinnacle is a very aggressive play because we believe this Engine is going to be the leap frog both in terms of CNG as well as Petrol. So, clearly in addition to the Diesel, where we have a solid play, and we will continue to take it up to BS-VI and be a player in that segment because even that segment we see move to the rural and suburban segments, right? So, that will move there and meanwhile the Petrol and the CNG will continue to grow as the CNG network expands across the country. And then like I said before as Electric or some other technology comes in we are watching it closely and we will appropriately respond as soon as we believe it's the right value proposition for an end customer.

**Ashutosh Tiwari:** So, we will start supplying this Engines right away or only after BS-VI into picture we will supply?

**Nagesh A. Basavanhalli:** We are looking at BS-VI. Obviously, we have an Engine available even sooner if needed through the partnership.

**Moderator:** Thank you. We take the next question from the line of Sagar Parekh from Deep Financial. Please go ahead.

**Sagar Parekh:** Sir, one question on the new Leap Engine Multi Cylinder front, is it fair to assume on the domestic side at least if we do not get any client addition, let us say by December because of the clients for BS-VI probably would be tying up their Engines or probably we would be making it in-house, so if it all we do not get anything by December then probably we will not get any

client for BS-V or BS-VI going ahead because then I believe that it takes atleast 12 months to 18 months for full commercialization, right?

**Nagesh A. Basavanhalli:** So, that's one way of looking at it. Let me just elaborate, like I said Leap is a family of Engines, it has got Three Cylinder, it can go up to Two, it can go up to Four. It can also be used for Automotive and non-Automotive applications. It can be used in India and globally. It can be used on BS-IV and BS-V or BS-VI applications. So, when you look at the landscape that you are describing versus the landscape that I am looking at, I think the opportunity pie is slightly more elaborate you would agree with me. And so, when you look at it from that lens you do the math and you look at the numbers, right I mean I think it clearly shows you because for example, the Leap Engine can also be used for non-Automotive applications which we are considering it for. We are also using it for some global applications where you don't need BS-VI, right. So, a lot will depend on getting some critical mass wherein we will be able to give the right proposition to our customers that's kind of what we are working on right now. So, please stay tune, I will be more than happy to address this as we go forward.

**Sagar Parekh:** Sure, any color or sense on the export market for BS-VI domestic I mean obviously you will not sure like in depth details but which are the clients that you are talking at or any kind of color on that front?

**Nagesh A. Basavanhalli:** That's clearly part of our customer base and as and when we have something to report, we will talk about that.

**Sagar Parekh:** Okay, sure. And what is the cash on our books currently?

**Narayan Barasia:** So, we are at Rs. 450 crores.

**Sagar Parekh:** Okay, it is the same level as Q4?

**Nagesh A. Basavanhalli:** Yes.

**Moderator:** Thank you. Next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

**Bhargav Buddhadev:** Sir, Bajaj Auto in their conference call has said that they will be launching Three-Wheeler Electric in a year's time. We are hearing that even TVS is sort of planning to do that. So, why is the strategy to focus now on gasoline, I mean are we not late in the curve to sort of focus on this business segment? Rather than this why not focus on developing some kind of a solution for Electric Three-Wheelers?

**Nagesh A. Basavanhalli:** Okay. I clearly said before that our strategy is, we are into Diesel, we are into Petrol, we are also into CNG, and we are also exploring where we need to be in the future. We are not ready to announce anything on Electric today. But at the end of the day Petrol, CNG, and Diesel will

significantly be part of the value proposition, part of this pie, Three-Wheeler pie between now and the near foreseeable future. We believe the market for domestic is about 500,000 exports is about 300,000 you can see a shift from Diesel to Petrol, Diesel to CNG or Petrol to CNG. And like I said, just the economics, we are watching this very closely, the cost of the battery is over \$200 per kilowatt hour I believe we will get the exact numbers. But it will reach an inflection point at some point of time and clearly there is a lot of interest in the market and our CTO and our technology teams are evaluating all options. So, as and when we are ready we will talk about that.

**Bhargav Buddhadev:** And sir, on the Electric front, given that there will be no requirement of an Engine then what will be Greaves role in Electric Three-Wheeler. So, if you can just clarify in terms of where will Greaves application line in Three-Wheeler that would be very helpful.

**Nagesh A. Basavanhalli:** Okay. So, I think we are slightly jumping ahead because like I said Fuel Agnostic Powertrain strategy clearly calls for Diesel plus Petrol plus CNG plus whatever the case may be multi fuel in the future or Electric. As and when we are ready to talk more I will be happy to articulate our strategy. But right now, I think you would agree it is probably not fair to discuss something in the hypothetical in the future. But clearly, we internally are reviewing all options that's all I can say right now.

**Bhargav Buddhadev:** And sir, just last related question, that if we go through the Annual Report, Greaves has said that on the gasoline side of the Engine they are focusing on the African market. So, should we read that there is no focus on the Indian market for selling gasoline Engine?

**Nagesh A. Basavanhalli:** No, I don't think that would be a proper inference. Clearly, our inference our focus will be on all customers including export customers, right because clearly Petrol export is a good market. So, I think you can infer that it would be both.

**Moderator:** Thank you. Next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.

**Bharat Gianani:** This question pertains to given the current weakness in Three-Wheeler and the LCV segment, so what is your reading, I mean I just want to get a sense like given the tough environment in the auto segment, that is witnessing currently, what is your growth outlook for FY 2018 considering that you are getting launching new products and considering recovery expected in the auto. So, what is your top-line outlook for this financial year? Thanks.

**Narayan Barasia:** Thank you, Bharat, we generally don't give forecast for the future. But economy is now expected to do well, we have gone through demonetization to BS-VI to BS-IV to GST, so last 3 - 4 quarters a lot of things have happened, right. We are now looking at a good 9 months and if the economy does well I think as Greaves we are putting a lot of our actions in place, so I think we should do well.



**Bharat Gianani:** Okay. And sir, just one more thing, if any update you can provide on any status or any new product launches in the multi brand Aftermarket, any progress if you can share at this point of time that would be helpful.

**Nagesh A. Basavanhalli:** So, clearly, like Narayan was saying. I think in the middle of some of these recent shocks starting from demonetization to GST now, right the company has held its own because of the focus on some of the other businesses as well. And some of the initiatives whether it is multi brand we continue to grow smaller base in the multi brand because we need to keep adding additional parts coverage and the important thing is we focus on getting the right validation, getting the right quality and then launching the product parts. So, we are clearly on that part in the multi brand space. Aftermarket remains a key initiative, we have our pilots on the service side, the multi brand workshops are going well and we intend to scale that. So, that is definitely an area whether it is on the spare parts sales, multi brand or in the case of additional service offerings we will continue to do that. Our product offerings in other areas whether it is and the area of Genset or Farm, I think some of the actions that Narayan touched upon earlier, we have taken some actions, you can start seeing some of the results over the next several quarters as the economy starts to pick-up.

**Moderator:** Thank you. We take the next question from the line of Charanjit Singh from B&K Securities. Please go ahead.

**Charanjit Singh:** Sir, if you can just help us understand what is happening on the Farm Mechanization market and as you mentioned in the beginning of the call that we have also introduced 2 more Tillers but this market tends to be mainly dependent on government subsidies. So, if you can touch upon the market dynamics going forward and how large it could be for us in next 2 to 3 years' timeframe?

**Nagesh A. Basavanhalli:** So, clearly, the Agri market is something that has a lot of potential for a variety of reasons, right? When you look at the arable land that is in India it is significantly high when you compare it globally, right? The level of productivity that we need to reach, I think we have a lot of opportunity for the small and marginal farmers and this is the area that Greaves traditionally has been playing and we will continue to expand in this with more product offerings. So, instead of one we have one we have now started seeding 2 Power Tillers and the initial reaction from the market has been quite positive. Deliberately we took a focus state approach. We went through a six state initially started seeding it started getting customer feedback make sure that we were listening to the customers and then so initial feedback has been positive and you are going to continue to see incremental new products that are going to come in the farm over the next 12 months to 24 months, so you can look forward to that. And given the potential because the overall need for improving the farmer productivity which some of this mechanized equipment can give, overall need to conserve water because of the water scarcity which obviously our Pumpsets working with some of the irrigation systems right in the irrigation part of the space, I think is also another area and clearly even in the Pumpsets we are looking at

additional opportunities and additional areas to play. So, we are beginning to work not only through our dealers but also through the farmer producer organizations and getting closer to the customers. So, we believe this Farm area is one that has a lot of potential as it leads to subsidy you are absolutely right this is an area that has traditionally been there but now with the government introducing the direct subsidy scheme we will have to see how that impacts and how the end game will be. But at the end of the day we believe post the GST. Post of these some of these recent shocks, we believe this space is one that should start seeing a good uptick.

**Charanjit Singh:**

So, sir, overall from a market perspective what is the kind of growth rate you see from not just Greaves Cotton but from market perspective or how large this market could be and growth what we could see in the future?

**Narayan Barasia:**

So, Charanjit, I think economy is set to do well, inflation is very low, rate cuts is another thing which is happening from a farmer side, I think the DBT though is seeing to be a very-very clearly a good sign for the business, including the monsoon has been pretty good. So, we expect the Farm business to do well. Automotive as well is now set to do well, there were a lot of issues over the last 3 quarters, now we are seeing an uptick happening in the Auto sector. Genset has been doing well for Greaves. So, all the three fronts is going to do well. Aftermarket, we are going through some GST transition with the retail that is getting over now and all the initiatives we are taking Aftermarket to do well. So, we expect the economy to do well. And so as a part of the economy we should do equally well.

**Charanjit Singh:**

Sir, if you can just squeeze at least question on the Genset business, what are the, you just mentioned what may be some new product introductions and may be some changes to the channel and all. So, what are we doing on that front and how do you see the pricing environment right now with the other companies getting aggressive on the pricing and unable to pass on the increase in the cost to the market?

**Narayan Barasia:**

Yes, so Charanjit, all industries are equally competitive, right. I am yet to see a industry which is not competitive, so this always happens. Inflation has been high for the quarter one and now industry is talking about passing increase to the customers, so that always happens and industry has always been very profitable and continues to be very profitable. From our initiative perspective, we are expanding the geography, we are moving from one state to another and that is helping us to grow. Our lot of the focus on service has helped us to do better. So, we continue to do well in Genset we expect to do well as we go along in Genset.

**Moderator:**

Thank you. Next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal:**

Sir, just if you can please repeat the volume numbers because I was just trying to see the correlate with the revenue growth, so if you can please repeat the numbers?

**Narayan Barasia:** Yes. So, Three-Wheeler is down from 65,000 to 63,000. Pumps is down from 23,000 to 21,000. Genset is down by from 2,000 to roughly 1,000. And Genset is up from 900 to 1,100.

**Manish Goyal:** And what about Four-Wheeler volume sir Engines?

**Narayan Barasia:** Four-Wheeler is roughly flat 6,500 to roughly 6,000 this quarter.

**Manish Goyal:** Okay. Because looking at all this totaling up we get a 6% decline in the volumes. So, while our revenues are up 1%, so what is the price change? So, on BS-IV have we seen 8% to 10% price hike can we infer that?

**Narayan Barasia:** Yes, you are rightly absolutely. Correct, Manish.

**Manish Goyal:** And also for say in other segments how has been the price realization, sir?

**Narayan Barasia:** Price realization has been pretty good, we have been able to hold the price or taking the price increase as and where it is possible.

**Manish Goyal:** And post BS-IV how has it been change for the spare parts market for us say pre-GST, also if you can highlight and post GST also, what we hear is that probably stand to gain post-GST on spare parts, so all three can you please explain?

**Narayan Barasia:** So, spare parts business have plenty lot of initiatives and it continues to do well other than in June and July we got some impact because of GST transition. But our initiatives are doing well and we expect it to do well even in BS-IV.

**Manish Goyal:** So, is there a similar price jump for spare parts for BS-IV also Engine?

**Narayan Barasia:** Yes. So, if there is a component where the cost has gone up the price will obviously go up.

**Manish Goyal:** Okay. And on the last question on the Power Tiller, so you said our sales are down by almost 50%. So, has it that the it is coincided with our new launch and kind of we were probably not offering the old version, is it to do with or is it the market itself has declined?

**Narayan Barasia:** So, it is a combination of couple of things, yes it was one reason was our launch, you rightly said that. The second is from a GST scenario and DBT the channel wanted more credits and more exposures, we were not willing to take so much and so we allowed it to be more slow down and react to the secondary sales in the market. So, I think the combination of both. The secondary pick probably was lower than what we expected earlier.

**Manish Goyal:** Okay. And last question on the Agri, sir what we see is that increasingly the Pump market is moving towards Electric Pump and share of Diesel and other fuels like Petrol and Kerosene

what we offer are seeing a decline in the market. So, what is the strategy for that on the Pump side sir?

**Nagesh A. Basavanhalli:** So, clearly like from an overall Fuel Agnostic portfolio this is clearly one of the areas we are also working on and we are already looking at several product offerings in that space. So, we will be able to talk more in the next couple of quarters. So, clearly, we have a leadership in the Pump segment, we intend to continue that.

**Moderator:** Thank you. We take the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

**Sanjeev Zarbade:** Sir, my question was regarding the margins, wherein we have seen that the raw material cost to sales has gone up consistently for the last 3 quarters. So, where do you think this could peak out or there is further upside to the raw material to sales ratio because of the steel prices and so on?

**Narayan Barasia:** Sanjeev, you rightly mentioned, so it is a commodity cycle and everyone the whole industry has got impacted because of commodity cycle. Then the second thing you need to know is over the last three quarters we have gone through one transition to another transition stating from demonetization to BS-IV and then down to GST. And those are very big transition, so we have gone through all those and so the industry's ability to take price increase, etc. has also got compromise because of all those stuff. The third thing is there is a price negotiation where is a lag which happens at the time schedule as per the agreement with different OEMs at the right time those will happen when the agreement becomes ready for that. So, we do not see impact as we go along into future. Yes, obviously for quarter one there was an impact.

**Sanjeev Zarbade:** But assuming the steel prices and the commodity prices stay where they are would there be further increase in raw material to sales ratio in the coming quarters or when is the next negotiation scheduled with the OEMs?

**Narayan Barasia:** So, if the commodity goes up and even it has gone up in quarter one obviously this will get passed on to OEM, right. At the schedule time as per the contract, okay. What commodity price will happen in quarter two is about forecasting commodity price which is not good for us to do. So, from a contractual perspective, if the commodity price goes up, we will pass it on to OE and you know if you look at all the past history of Greaves we have been able to do that.

**Moderator:** Thank you. We take the next question from the line of Dhiral Shah from Asit C. Mehta. Please go ahead.

**Dhiral Shah:** Sir, off late we have seen that lots of states are coming out with a new permits. So, how much this is going to benefit us?

**Nagesh A. Basavanhalli:** Can you repeat your question please?

**Dhiral Shah:** Sir, off late we have seen the states like Delhi, Maharashtra are coming out new permits so how much this is going to benefit us?

**Tarun Khanna:** Are you talking about Three-Wheeler permits?

**Dhiral Shah:** Yes, sir. Yes, Three-Wheeler permits, yes.

**Tarun Khanna:** Okay. So, you know our OEM partners actually handle that front end of the business, we do not work directly on that aspect. Obviously, as and when new permits are opened the OEs will look on that as a business opportunity and try to capitalize on that. We hope for their sake and our sake that they do increase their business because of the increase in permits and obviously we will support our OE partners in the ramp-up where required.

**Dhiral Shah:** But sir, this has happened in past also. So, how much you are being benefited in past?

**Narayan Barasia:** So, we virtually control Diesel Three-Wheeler market, correct? If there is any permit release in the Diesel Three-Wheeler market obviously it is going to directly help us and virtually control the market, we are able to maintain market share, so there is nothing to worry about, if the permits are there obviously our OEM will pick it up and obviously we will get the Engine volume from there.

**Dhiral Shah:** Okay. And sir, lastly, sir about your margin. So, do you expect these margins to get recover in coming quarters?

**Narayan Barasia:** Yes, Dhiral. So, if you study the history of Greaves, commodity cycles go ups and down. But our control is very clearly about to making sure that the commodity goes up, the price is passed on to the OEMs. So, if the commodity has gone up over the last one quarter and will go up as you go along in future, it will get passed on to the OEMs.

**Dhiral Shah:** Okay. So, we will be again back to our 15% - 16% or 16% - 17% margins?

**Narayan Barasia:** Yes, obviously. Our intention is we are very EBITDA focused organization and our intention will be to increase EBITDA.

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

**Ashutosh Tiwari:** Sir, I miss this Four-Wheeler Engine volume for the quarter.

**Narayan Barasia:** 6,000 volumes for this quarter.

**Ashutosh Tiwari:** Against the last year?

**Narayan Barasia:** 6,500 volume quarter one corresponding year last year.

**Ashutosh Tiwari:** And now that the festive season is going to come in the next month, are we seeing pick-up in terms of uptick by this OEM customers or the growth remains?

**Nagesh A. Basavanhalli:** Yes, in terms of post the GST, I think we are seeing the uptick trends. It is still early days, but we are beginning to see some of that, yes.

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

**Manish Goyal:** Sir, two questions. One on the multi brand spares, if you can give us some sense that at what stage we are in terms of our strategy to launch the products and by when can we probably see fair amount of revenues coming in, sir?

**Nagesh A. Basavanhalli:** So, clearly, in terms of multi brand like I said, I think we have the brand and we have the reach. What we are working on is obviously getting the parts, the validated parts which stand the test of time, right and making sure, yes we are representing the brand well. So, roughly we have about 500 parts and we will continue to keep on adding parts every quarter and based on that obviously, we continue to build up our share. But it will take some time, I would say its going to take good several quarters at least 4 to 6 quarters, right for us to keep building all the parts in basically this area to make sure that we have full bouquet of multi brand parts that our dealer network can offer. But clearly, this remains a focused area and this is something that we will keep adding, we will keep increasing quarter-over-quarter.

**Manish Goyal:** Okay. So, basically it is still 4 to 6 quarters away where we can see a meaningful revenue contribution coming in, sir.

**Nagesh A. Basavanhalli:** I think that's fair to say. But keep in mind, every quarter you will start seeing the uptick because every quarter will be better than the previous quarter.

**Manish Goyal:** So, what I recollect is that we had mentioned that total spares market is Rs. 3,500 crores, so if we want to dissect between what we are probably servicing right now and what you will service going forward and did you also mention earlier that you are probably looking at Two-Wheelers also?

**Nagesh A. Basavanhalli:** So, clearly the multi brand spare market is roughly about Rs. 1,500 crores - Rs. 1,600 crores, right so, clearly that is focus area for us. Then the Three-Wheeler remains a focus area obviously because of our network and reach what you just talked about the Two-Wheeler is an area that obviously the team is exploring but we will talk about it at a later stage. Then we also obviously do the white label and representing the other brands, right. So, I think we believe we

have several initiatives like Narayan talked about on the Aftermarket side that are slowly quarter-over-quarter beginning to help us.

**Manish Goyal:** Okay. And sir, on the Pinnacle Engines if you can like by when do you think that the Three-Wheeler CNG variant would be ready and you should be able to offer it to the OEMs?

**Nagesh A. Basavanhalli:** Yes, so our intention is to be ready as we all know the 2020 April 1st is the deadline for the BS-VI. Our intention is to be ready well ahead of that. So, our intention is to be ready....

**Manish Goyal:** But sir, what I understand is that this Engine is still yet not commercially launch, so just little curious as to the time for design, development and meeting Indian standards and then commercializing, so it is a long journey, sir.

**Nagesh A. Basavanhalli:** Absolutely, you are right, in terms of the design validation will take time but that is kind of where we have the combined expertise of the two teams working on it. I think between now and first quarter of 2020 we are working very feverishly on that and I believe we will be ready including the validation and we are working with our customer partners on that.

**Manish Goyal:** So, that will require additional investments into facilities. So, I believe then probably sometime before that when the emission norms kicks in, you should be probably also announcing the CAPEX separately for that sir?

**Narayan Barasia:** Yes. You are absolutely, right, Manish.

**Moderator:** Thank you. We take the next question from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

**Deepak Narnolia:** I have two questions. Number one, since last two quarters your gross margin have declined by somewhere around 300 to 400 basis points number one. And number two can you tell me your spare sales that is Aftermarket sales for this quarter? And how much is the growth in the Aftermarket sales?

**Narayan Barasia:** So, Deepak. As I answered in the previous question, there are couple of things which has impacted the margin. And by the way this is not only Greaves but if you study all the industry has got impacted because of material margin. There are couple of reasons for it. one reason has been the commodity cycle. Over the last 2 to 3 quarter, the commodity cycle has not been very favorable. So, there is a very sharp increase in the commodities. As we have always been, all the commodity increase gets passed on to the OEMs. So, this will get passed on at the right time when the agreement allows to do that.

**Deepak Narnolia:** When is that, sir?

**Narayan Barasia:** So, for different OEMs there is a different dates, this goes with the agreement we have with the OEMs. But be rest assured the commodity inflation will get passed on to the OEMs, right? But apart from commodity inflation there has been moved from BS-III to BS-IV so which has impacted us on percentage margin. There has been lot of slow down over the last 2 quarter particularly GST has got impacted and there was a demonetization which started earlier. So, all put together has also restricted our ability to pass on some of the cost increases. But finally end of the day this will all get passed on to OEM. So, our margins will get restored and you will start seeing good margins coming up again back in business.

**Deepak Narnolia:** By when do we expect at the current spot prices of commodities?

**Narayan Barasia:** So, Deepak, it is very hard to focus commodity price, right?

**Deepak Narnolia:** Sir, I am saying at the current spot prices.

**Narayan Barasia:** it does not matter. Whatever is the spot price that does not matter. Finally end of the day when the agreement is due for price renewals all commodity increase will get passed on to OEMs.

**Deepak Narnolia:** So, that is why I am interested to know sir that if commodity price does not change from here how far is your agreement due date or by when just a ball park idea that by when you can expect the margins to recover again?

**Narayan Barasia:** See, different OEMs Deepak has a different timeframe, right? We are dealing with some 50 - 55 OEMs, I cannot give you specific date but from quarter two onwards one after another OEMs agreement is going to be due from renewal and over the next two quarters to three quarters all will get reset.

**Deepak Narnolia:** So, the margins will come back at 16% level?

**Narayan Barasia:** Yes. So, all the inflation will get passed on to the OEMs. Yes, you are right.

**Deepak Narnolia:** Okay. And number two, sir your spare sales for this quarter and the growth in the spare sales?

**Narayan Barasia:** See, sales business has got impacted severely by GST transition, right particularly the retail part of the system has struggled to understand absorb and then migrate to the new GST environment and so our sales in the quarter one has also got impacted. We are still seeing that impact happening in July. But as we go along you know retail is again going to fill the corpus up and the business will be back to normal. So, quarter one has been a bit of an impact.

**Deepak Narnolia:** Okay. What is the kind of growth you are targeting in FY 2018 Aftermarket sales?

**Narayan Barasia:** We look to grow the business by anything in the double-digit. So, we continue to look at that, there are a lot of initiatives around Aftermarket beyond our present spares business which is



multi brand we talked about and there is a Greaves Autocare initiatives, so there are a lot of initiatives, right. So, we keep on looking at this business to grow at a double-digit growth.

**Moderator:** Thank you so much. We take the next question from the line of Jay Daniel from Entropy Advisors. Please go ahead.

**Jay Daniel:** Sir, if you can explain your thoughts on growth because for the last 8 years there has been no growth and profits in Engines. In this quarter your EBITDA was Rs. 62 crores in quarter December 2009, your EBITDA was Rs. 61 crores. So, there has been absolutely no growth in profits over such a long timeframe. And from whatever I can gather from your commentary in this call also growth is still some quarters away. So, we as investors, we have been hanging around for 8 years there has been absolutely no growth and profits. So, can you provide some more commentary or color on how growth is going to evolve from here on? The plain is still going to continue or if you can give some your thoughts on that?

**Narayan Barasia:** Thank you, Jay. So, couple of points here. One is over the last 4 - 5 years the macro economy environment in India has not been so great. Particularly we are in a capital goods industry, right and the capital goods sector has actually got severally impacted over the last couple of years. But you know the good thing about Greaves is even though our top-line was struggling we have been able to hold the bottom-line and make sure that our margins are still intact or improving as you go along. Over the last one year we again got impacted severally by demonetization and then there was a big shift from BS-III to BS-IV then there is a big shift in GST. All this also impact the business, right. So, the channel gets impacted, the whole supply chain becomes impacted and it takes some time to back to normal. We mention that now the growths are looking up, there is a uptick in the market whether it is Genset, whether it is Automobile, whether it is Farm and I think the growth is going to be there. So, we expect now the growth to be there. We have a lot of initiatives around growth. So, let me start one after another, we have ventured into Petrol and CNG space, we have initiated a lot of initiatives around Aftermarket business. You have been seeing Genset has been doing well because we have taken some initiatives in terms of micro marketing in terms of expanding our reach and expanding our service as well. Farm business you have seen launch of Power Tillers recently and there are a lot of other products going to follow. So, we have plenty of initiatives, it has to be well supported by the micro economic environment in India which now is on and there is a lot of promising micro economic data which is coming up. Inflation is all time low. So, we are very positive about the and the future growth prospects.

**Jay Daniel:** Yes, how future is this future because will this flatness continue from what I can gather this flatness will continue in the current year also?

**Nagesh A. Basavanhalli:** Let me jump in here. Like Narayan just alluded right the last 3 quarters in spite of the Three-Wheeler industry being down 20% our top line was not impacted partly because the other businesses started to pick-up, right point number one. Point number two like Narayan talked

about, we went from being a Diesel primary player to being a Fuel Agnostic now we are picking-up in fact, picking up additional customers in CNG space and that is going to only increase over the next couple of quarters and we are investing in technology, we are investing in R&D. We have made a significant push over the last 3 - 4 quarters, right. Aftermarket at least three new initiatives are in the pipeline which quarter-over-quarter is adding to the top-line in double-digits like Narayan already alluded. Gensets is growing at a double-digit and we expect it to. Farm for the first time in several years we have two new Power Tillers which we are just starting off, we will need may be one more quarter to stabilize that and in the next season. But we will have a couple of additional new products like I said over the next 4 quarters. International business we continue to focus on in terms of growing some of the other infrastructure whether it is the dealer network and that is an area that also looks very promising right now. So, please help me understand again, how in the last 3 or 4 quarters you saying that we have added significant new initiatives. We do not control the market, we do not control the macro economy. But what we control is the things we control in terms of our operational overheads, in terms of bringing in new initiatives in terms of lining up the strategic parameters, lining up the five-year business plan, going from being a one Diesel Engine manufacturer to going to a Fuel Agnostic multi strategy player not in one business but in multiple businesses. So, I will more than happy to have our team sit down with you and go over in more detail. But we honestly believe that the strategy that we are beginning to lay out is as when the economy and the shocks that appear from the market place you will start seeing the results.

**Jay Daniel:**

Okay.

**Moderator:**

That was the last question. Ladies and gentlemen on behalf of Greaves Cotton Limited I thank you all for attending this call. Thank you for joining and you may now disconnect your lines.