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The Secretary
BSE Limited
Corporate Relationship Department
Dalal Street, Fort
Mumbai 400 001

Symbol: GREAVESCOT

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

Dear Sir,

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor's Call held on 8th August, 2016.

Please take the same on your record.

Yours faithfully,

For Greaves Cotton Limited

Monica Chopra
Executive Director – Legal &
Company Secretary

Encl: a/a

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“Greaves Cotton Limited Conference Call”

August 08, 2016



SPEAKER: MR. NARAYAN BARASIA – GREAVES COTTON LIMITED

Narayan Barasia: Okay, so hi, good morning. This is Narayan Barasia, how are you doing?

Management: Good morning.

Management: Hi, sir, good morning.

Management: Good morning.

Narayan Barasia: Yes. so we keep this as a question-and-answer session is that what you would prefer?

Amit: Sir, maybe if you can just give us a quick five-minute brief on the quarterly performance and then we will basically start with question-and-answers. This is Amit from Edelweiss.

Narayan Barasia: Right. Okay. So, in terms of the top-line the business for the quarter has grown by about 5% and overall from a profitability point of view there has been a mix issues and so there is slight decline in the material cost. We have not seen any adverse cost implications. It is largely because of mix and operating profit hence has de-grown by 2%. But the other incomes were good and so PBIT was growing by 2%. There was an exceptional provision under head exception item and the quarter one of last year was actually having an exception gains so, that has created a gap from the gain to a loss so PBT declined by 18% and so PAT declined by about 11%. So overall a quarter which has started showing growth in top-line and I think operating profit has largely been flat.

In terms of working capital – we had a very good tight working capital management. We maintain the same inventory days and outstanding days. We still increase the surplus cash on the books and so from balance sheet point of view it was quite good.

So, that is all from my side. Maybe we can start getting to question-and-answers.

Amit: Okay. Sir, just want to understand if you can basically throw some light on how the growth in three-wheeler and four-wheeler has been and also on the farm equipment side and DG Sets side so four critical revenue streams which are relevant for us, if you can share how have they grown in quarter one?

Narayan Barasia: Yes, so four-wheeler certainly declined and the volumes has been from 9,000 units to about 7,000 units and hence overall three-wheeler plus four-wheeler combined has declined about 2% to 3% in terms of volume. Gen set and farm has grown quite well and hence the growth is about 5% on value term.

Bharat Sheth: And how about the farm equipment business?

- Narayan Barasia:** Farm has done pretty well for us. Our business actually grew by 20,000 pumps to about 22,000 pumps and tiller again has grown quite well from 1,100 tillers to about 1,800 tillers in this quarter. So both the pumps and the tillers have grown quite well in farm.
- Aman:** This is Aman here from Goldman, this segment reporting change which you have done, is it some internal restructuring which has been initiated or is it more because of the reporting requirements that have changed?
- Narayan Barasia:** No, so there is no change in the segment reporting. It is the same, right, we have not done any changes in the segment reporting.
- Aman:** There was infra and others earlier now you seem to have combined these two?
- Narayan Barasia:** Correct, so infra business has got completely eliminated is not it? We were showing it till the time there were some prior year numbers there, is not it. So, since the infra business has got completely sold off or divested out completely so it got discontinued. So there is no reclassification or regrouping.
- Aman:** Okay. The agri is now reported in others?
- Narayan Barasia:** Agri was always reported in engine because predominantly we are engine business and all agri business we are into is an extension of agri. Only the traded goods of farm were shown as others, so power tiller was shown as others.
- Amit:** Sir, your cost rationalization has been over so, we have been reporting a very handsome reduction in cost in the last one year. So do you think most of that is behind us or you basically have something more to add on to there?
- Narayan Barasia:** So cost is a very continuous process. We keep on doing cost engineering and that work is still on. New opportunities in cost keeps on coming so that has never a stop there. This quarter we got actually impacted because the engine business did not do that well while farm business did quite well and farm generally have slightly lower margins than the engine business and so there was a mix impact which has hit us but from cost reduction point of view I think there is still a room and we have a lot of cost reduction initiatives in the pipeline.
- Amit:** Okay. Can you also highlight something on the spares business, what kind of capital are we committing over the next one year or two years and what kind of separate organization structure if we are going to invest in that?
- Narayan Barasia:** So aftermarket business we have been able to operate at a very-very tight working capital. So working capital requirements on aftermarket is not very high. We intend to continue the same

for multi-brand business as well. So we do not expect a very high working capital deployment there. In terms of structure, the same aftermarket business is going to run the show because the channels are going to be the same and so the teams are going to be same. We are not creating a separate infrastructure for that except we have to enlarge the team a bit more, so the team is same, we have enlarged the team to handle multi-brand.

Amit: And this would cover only the three wheeler and the four wheelers other manufacturers spare parts or you can go beyond into other engines or gen sets or other vehicles as well?

Narayan Barasia: No, so as of now it is about engine so, it is about three wheelers and four wheeler engine, not so much about vehicles.

Amit: And typically the OEMs at least we have seen that in the passenger cars or scooter side that the OEMs do not encourage the trading of their original spare parts and create a strangle hold on the supplies as well so that they can make good margins on that. So how are we able to break that in this three wheeler or four wheeler segment?

Narayan Barasia: Correct. So we don't want to break that right so, I think the competition is not so much against the OE but actually more with the other players in the market. So there is a lot of vendors who supply spares in the market, there is a lot of cheap quality goods also in the market. So there is clearly a large share of non-OE spares business in the market. So our market focus is around that.

Amit: Okay. Sir, can you share basically numbers in three-wheeler, four-wheeler, pumps, and DG Set and also the outlook on each how it has been and what is your assessment of fiscal 2017?

Narayan Barasia: Right. So, three-wheeler we had almost flat numbers, 70,000 units last quarter and in this quarter. Four wheeler as I said 9,000 is down to 7,000, okay. Gen set 500 unit has gone to 700 units. Pumps is 20,000 to 22,000, power tiller is 1,100 to 1,800.

Amit: Okay. And if you can throw some light on how you look at three-wheeler because that market growth goes not look great, so any specific input that you would like to give us on the auto engine side?

Narayan Barasia: So, generally if you look at in historical sense three-wheeler growth or de-growth both follows medium and heavy commercial vehicle. So, those markets are growing well, we are very optimistic that this market should also now catch up so, time has come up for this market to catch up on the growth. We are optimistic about it and let us see how it moves as we go along in quarter two and quarter three.

- Amit:** Right. Anyway we were anticipating that the large category will start impacting us positively but there has been a delay in that.
- Narayan Barasia:** Yes, it is absolutely, right.
- Amit:** Right.
- Narayan Barasia:** So, we are optimistic it should work now. Finally, end of the day larger vehicles can carry the goods to the point and then re-distribution starts happening and for re-distributions in the smaller commercial vehicles are required.
- Amit:** Right. And in terms of four wheelers sir SUV we are at 7,000 units and in terms of whatever new OEs we are targeting and even in the north of 1 tonne category any specific progress that we have been able to make?
- Narayan Barasia:** No, the product is still under the development. We are doing a lot of work on the customer side but you know these things take time so, even after that I think we will still take about two years more probably it is the time when product launch happens so, commercial launch will take still some more time but the product is ready and there is a lot of work happening with the customer.
- Amit:** Okay. In terms of farm equipments, last few months have been great, I am sure you are happy about that. So any growth number that you are targeting this year in farm equipment because I suppose that is going to be the fastest growing segment for us this year.
- Narayan Barasia:** It is very difficult to give those numbers for the future but I think we have been doing a good job. We have a lot of product launches planned this year which would help us in getting additional basis points on growth. We are doing a lot of market based initiative so, that should also help us and I think we have a very favorable monsoon as well. So, we are very optimistic about the farm business for this year.
- Amit:** So we will not surprise if that segment grows at around 20%-25% this year because last year has been not so good and so the base also is not that....
- Narayan Barasia:** And quarter one has been going that pace, right so, probably this will continue.
- Amit:** Right. And sir, your assessment in diesel engine has been in news for the wrong reasons in last one-year court bans, the outlook for diesel is uncertain so, any specific thought process that you would give us at this point in time for our diesel engine business?

- Narayan Barasia:** So in commercial vehicle the diesel is going to continue, right. It is not that the pollution cause is actually by the diesel vehicle. Diesel is very-very improvised now and with the new BS-IV and BS-VI coming on our way, it will become further and further better. So, I think there is a lot of negative publicity around pollution based on diesel which is actually not right. So, from commercial vehicle point of view commercial vehicles needs more torque and some more specifications which can only be provided by diesel. So if you look at any large global market, you will find that in commercial vehicle diesel is actually good, right. Except China which use the petrol but I hear from China as well that they are now planning to move to diesel for commercial vehicles. So globally commercial vehicle has always been on diesel and no reason why India will be exception to that.
- Amit:** Right. Sir, in terms of our R&D spend, what is the target this year and so both R&D and CAPEX if you can throw some light in specific area?
- Narayan Barasia:** So, around Rs. 50 crores to Rs. 100 crores is what we plan every year between R&D and manufacturing asset. Since we have enough capacity, we are not investing enough, we do not need any investment on manufacturing asset except some refurbishment or some replacement asset but we do not need to put money for any capacity enhancement, okay. So largely the investment will be around Rs. 50 crores to Rs. 100 crores largely focused around R&D, product development and may be some refurbishments or replacements asset.
- Amit:** Right. And R&D would you like to comment on which areas are we focusing right now directionally?
- Narayan Barasia:** Yes, R&D is largely focused on this BS-IV is coming on our way, BS-VI is going to come. Then there is a larger multi cylinder engine we are working. Then there is a lot of series of power tiller. Farm equipment, we have planned to launch, so R&D is around auto engine and farm equipment.
- Amit:** Okay, Yes.
- Speaker:** In the gen set market we have shown these numbers 500 going to 700, the market of course is not growing that strongly, so what is helping us geographical foot print of the same product that is helping us grow or new products have helped us grow in this segment?
- Narayan Barasia:** So, this growth, one is in the first quarter the market has also grown, right so, quarter one if I am right the industry has grown by about 10% to 12%, okay. The second point is we had some gaps in the product last year which we have filled up so, the product gaps were filled up in 250 KVA for instance was not there last year, but this year we have 250 KVA as well, okay. The third is we have taken a very-very market penetrative approach which has helped us to get better customer orders that have been able to get a better growth. So it is a combination of

market growing our product which was not there getting up those products and our marketing initiative.

Speaker: Understood. Sir, aftermarket was basically around you know around 17%-18% so, what is your assessment where can it grow for us in the next say two years because I believe this still grow materially for us and so, where do you see this segment as a percentage of sales say two years down the line any specific that's it.

Narayan Barasia: So aftermarket generally, you know the best practice is around 17% to 20% right, so that is the range at which where the best companies operate and we are actually operating to very-very decent level of aftermarket. multi-brand should help us grow aftermarket more, is not it? Now that is yet to be seen we have launched our product, we have put our cards on the table, we are working towards it, and let us say how we are able to evolve in this multi-brand business as we go along in future. It is a new segment we have entered into and a lot of things will depend on how we are able to work towards it.

Kiran: Sir, hi, sir, this is Kiran from Franklin. Do you have any numbers in terms of the breakeven volumes for the tiller business and how it is tracking now?

Narayan Barasia: Breakeven, so we are not invested a lot of money behind tiller and breakeven volume there is no question of having a breakeven volume even the investment we are doing in technology is not very high to bother us for more breakeven point of view. So breakeven point is actually almost not there or very low on...

Kiran: Okay, got it. And just one more question, sir, in terms of price inflation, pass through with your customers what has been happening when does the negotiation happen and on a like for like basis can we say that we are at stable gross margin levels now adjusted for the mix impact?

Speaker: Absolutely, so if you have been tracking Greaves for last so many years and the best thing from a organizer point of view is to look at the history. We have been able to very successfully pass on the cost increase to our customers so, those are very-very transparent and in open discussions and we have been able to do it, I think we should be able to maintain margin, we do not see any reason why we should not be good going, in fact as we a long whether there is possibility to improve is something we should see.

Kiran: Okay, thank you. And if I could ask one more question, sir, so you launched 250 KVA I think in the last few months or so, out of this 500 unit to 700-unit growth how material is impact from 250 KVA and what is the potential impact if that number were to annualize?

- Narayan Barasia:** No, in terms of volume I do not have the number exactly, but in terms of volume it is not too high. I do not remember the number but it should be 200 increase in the volume, so say roughly about 10% growth but we are coming from 250 KVA in volume roughly, just to give a number to you.
- Kiran:** Okay. But from a revenue standpoint or a profit standalone that is very important note for you right?
- Narayan Barasia:** It is, you are absolutely, right, Yes.
- Sandeep:** Your other expenses have gone up quite a bit in the first quarter is there a one-off there or may be additional promotional expenses side because of the new launches that you have had on the farm expense, right?
- Narayan Barasia:** Absolutely, so you are absolutely, right so there is combination of one-off so, half of this is actually the one-off which will not repeat and there were some extra promotion expenditures we incurred in the farm so, you are absolutely right I think your observations are completely right but almost half increase has been because of one-off and almost the remaining half is because of promotion. So our overheads are in tight control if you look at the employee cost it has actually not grown is not it.
- Sandeep:** Sir, you are saying half of the increase on account of one-offs and half is on account of promotional expenses.
- Narayan Barasia:** Absolutely, correct.
- Sandeep:** Sir, one-off what nature?
- Narayan Barasia:** So generally in a business you consultant comes and we work a lot of projects with them etc so, these are the kind of one-offs.
- Sandeep:** Okay. So going forward it will revert to its original level?
- Narayan Barasia:** Yes.
- Sandeep:** Okay, thank you. And sorry, one more thing, on the export front, how is the business going? Are we on track to achieve say 10% of our sales through exports over the next two years - three years?

- Narayan Barasia:** Yes, so this is definitely a very high focus from our side on export we are doing pretty well on export as well. It is growing slightly faster than what we are growing domestically. So yes, we are completely in track.
- Sandeep:** Okay. And any further feedback on how Multix is doing, I guess the ramp up is still to happen but any feedback from your OEM on what they expect for FY'17, FY'18?
- Narayan Barasia:** No, this is something which they should answer you but, the ramp up is yet to happen, I think there is some learning curve which the party is getting into and so they are including those products based on the learning they have got from the product launch. So the ramp up is yet to happen, for sure.
- Sandeep:** Okay, thank you.
- Narayan Barasia:** All right, thank you so much.
- Speaker:** Sir, just last question. Sir, off late, I think over the last three months - four months if you see Bajaj Auto has been quite aggressive in the cargo space, that was the space where they were really not present but they were more dominant on the two wheeler side....
- Narayan Barasia:** I am hearing a lot of disturbances from your side I am not able to hear your question clearly.
- Speaker:** Am I audible, sir?
- Narayan Barasia:** This is very good, yes, please go on.
- Speaker:** Sir, what I was trying to say is over the last three months to four months there has been Bajaj Auto has been quite aggressive and the cargo space three wheeler cargo space and there have been sort of taking market share from likes of Piaggio and Atul. So have we seen that kind of impact that the volumes I mean we being the OEM to the Atul and Piaggio. So, have our volumes got impacted over the last three months to four months as such?
- Narayan Barasia:** No, I think this quarter we did not see any impact coming from there. No.
- Speaker:** But sir, are you actually you know worried about that thing, that Bajaj Auto getting aggressive in the cargo space as such?
- Narayan Barasia:** No, I do not think we are worried about it. But we are also we have understood definitely in terms of their product offerings and whatever actions need to be done from our side, we have already done that so not really, we are not too much worried about that. But we have taken a note of it and we have improved our product wherever it was important for us to do that.

- Speaker:** All right, thank you.
- Speaker:** Hello.
- Narayan Barasia:** Yes, please. Go on please.
- Bharat Sheth:** This is Bharat Sheth from Quest, can you take one or two more questions?
- Narayan Barasia:** Yes, please go okay Bharat. Please go on.
- Bharat Sheth:** On aftermarket this product that we plan to launch, have we already launched or we are just about to launch?
- Narayan Barasia:** Yes, it has already been launched under the Greaves brand.
- Bharat Sheth:** Okay. So how we see over next two years - three years I mean which is currently our own I mean we were doing 70% to 20% rate can expand I mean?
- Narayan Barasia:** Yes, so as I said, aftermarket business at 17% to 20% is a very good number and we are reaching we are already in that band. How much multi-brand will do as we go along in future is a something time will tell us for sure, we are see an opportunity for sure we have done a lot of down work for sure, we are very serious about it. But it is very hard to give any number today.
- Bharat Sheth:** Okay. And in last con-call Mr. Pahilajani mentioned about I mean a full range of agri products so, where at this stage we are and where we do see agri full product range in next couple of years?
- Speaker:** Absolutely, there is a series of launches happening so, we are launching light agri equipments continuously there is a diesel pump which is going to be launched, then there is power tiller which is getting developed and will be launched so, there is a series of product. I think over the next 12 months to 18 months almost all the products which we are working on today will be launched.
- Bharat Sheth:** And as you rightly sir, in EBITDA I mean profitability is a little lower in agri that is particularly on tiller side.
- Narayan Barasia:** Yes.
- Bharat Sheth:** But how do we see the profitability vis-à-vis the other business on this what we are launching for our in house product, sir?

- Narayan Barasia:** Yes, so in house product offers a lot of advantages. One advantage is the opportunity to take a price rise so, Chinese product versus our own product will offer us a better pricing in the market, right it will help us to give us more assurance on the product quality and reliability and service so, the market perception improves, our promise to delivery improves, and for sure it will help us to improve margin is not it and the business as well. So as we keep on launching our own product it should get a very-very positive impact from the growth as well as the margin perspective.
- Bharat Sheth:** And by that time we will be this dealer will be also I mean localize I mean everything?
- Narayan Barasia:** Yes, so we are planning I think as per plan we should launch the tiller this year.
- Bharat Sheth:** Okay, thank you very much.
- Amit:** Narayan, sir before hanging up just one thing, just wanted to ask Amit from Edelweiss.
- Narayan Barasia:** Yes, Amit.
- Amit:** If we are cost negotiations with our OEMs on three wheelers and four wheeler side is done for this year and also if you can tell the utilization levels for the company?
- Narayan Barasia:** So sir negotiation happens with different OEM at different point of time, is not it. So for sure, it is never ending so, something negotiations happens at some point of time so, if you have to ask a question for this financial year certainly not, this financial year just started so negotiation will happen over a period of time. But these are negotiations these are very formula based transparent cost increased cost decrease discussions so, it is not about negotiations so much in terms of capacity utilization we are at about 75% utilization, since the volumes have not grown the capacity utilization also remains at the same level.
- Amit:** Okay. Thank you.
- Sandeep:** Sorry, one more question from me this is Sandeep.
- Narayan Barasia:** Yes, Sandeep go on.
- Sandeep:** Yes, on the commercial vehicle you said that the volumes have declined from 9,000 to 7,000.
- Narayan Barasia:** Yes.
- Sandeep:** Now, overall the small commercial vehicle industry has also started grow. I do not have the break up in terms of less than 1 tonne or 1 tonne to 3 tonne but overall this small commercial

vehicle have started to grow but our volumes have declined by 2,000. Is this because of any specific manufacturer issue to whom we are supplying and they have some issues?

Narayan Barasia: So the segment we are into which is less than 600 kg, has de-grown by market, okay and so we are just, so the market share is constant as the market has de-grown we also de-grew.

Sandeep: Okay. So that is less than 600?

Narayan Barasia: Absolutely, correct.

Sandeep: Okay, correct.

Narayan Barasia: Yes. So, right, so thanks a lot friends and see you sometime in future.

Speaker: Thank you very much, sir.

Narayan Barasia: Thank you.