



“Greaves Cotton Limited’s Q3 FY13 Conference Call”

January 31, 2013





Greaves Cotton Ltd.
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MODERATORS: **MR. SUNIL PAHILAJANI – MD & CEO, GREAVES COTTON.**
 MR. ASHOK KUMAR SONTHALIA – CFO, GREAVES COTTON.

Moderator

Ladies and gentleman, good day and welcome to the Greaves Cotton Limited's Q3 FY13 earnings conference call. We have with us today on the call Mr. Sunil Pahilajani, MD and CEO and Mr. Ashok Kumar Sonthalia, CFO of Greaves Cotton Limited. As a reminder for the duration of this conference all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touch tone telephone. Please note that this conference is being recorded. At this time I would like to hand over the conference to Mr. Sunil Pahilajani, MD and CEO. Thank you and over to you Sir.

Sunil Pahilajani

Good Morning everybody. From the Greaves Cotton's performance for Q3FY13 perspective, we see that the business performance has improved. There has been recovery on many fronts but sector wise it is still mixed. I would say performance of automotive sector has improved and was better during this quarter. The power genset business and the road making equipment have also improved. Only sector which has still not improved is farm

equipment. It is due to market size and various issues in various parts of the country. We have been mentioning about strengthening of our management team and taking several initiatives on improving efficiency, reducing material cost, working on several other product portfolios and rebuilding our distribution network. I think all these efforts have started giving positive results now and that is why we see overall improvement. Though market situations have been adverse in some businesses as I mentioned, it is still doing well for this quarter. In some sector like construction etc though markets didn't do well but our market share has improved. Now, I will hand over to Mr.Ashok Sonthalia who will take you through our financial results.

Ashok Kumar Sonthalia Thank you Sunil and Good Morning to all of you.

Thank you very much for joining this earnings call. I hope you got a copy of our quarterly earnings update which has also been uploaded on our website. I will be taking you through the financial results for Greaves Cotton Limited for Q3FY13. Net revenue for the company during the quarter was at Rs.516 crore against Rs.465 crore for the same period last year, which is a growth of about 11%. Also I would like to mention that this is the highest quarterly sales recorded by the company. Similarly EBITDA for the quarter

stood at Rs.72 crore compared to Rs.58 crore in the same period last year, which is a growth of 24% and this is also highest quarterly EBITDA recorded by the company. The EBITDA margin has improved by 150 bps from 12.4% to 13.9% primarily due to higher volumes and material cost reductions. The material cost reduction initiatives are giving us good results and this could neutralize other cost increases that we are incurring in developing our capabilities at various levels. Among the segments, engine segment grew by 12%, infra equipment by 18% and others segment which is primarily trading activities de-grew by 17%. The profit after tax after taking into account the exceptional item of Rs.14 crores towards impairment of our investments in the German subsidiary stood at Rs.34 crores which is marginally higher compared to the same quarter a year ago. The other income is high due to a property sale and better treasury income. The property was basically an apartment in Mumbai. At this point of time, we will open for question and answer session. Thank you.

Moderator

Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Mr. Indrajit Yadav Yadav from Macquarie go ahead.

Indrajit Yadav My first question is regarding the comments you made on the power gen sets and the infra equipment business. Can you please give us little more picture on this? As to which segments or sub segments of these areas are actually doing well? Is it more to do with generally the segments doing well or we taking more market share?

Ashok Kumar Sonthalia As far as the power segment is concerned generally the market or segment was not doing well during quarter 3. It is Greaves cotton who has improved its performance over the current base. Though we don't have a significant market presence in some of the segments except the medium horse power genset, we have consolidated and improved our position in the lower rating segment which is 60 to 200 kVA.. The market was generally down a bit but we have improved our volumes and our market share. As far as infra is concerned, the road equipment business segment did well and we also did quite well. We have improved our market share marginally there. In concrete, the segment didn't do well but we did well on the back of our distribution and sales efforts and some of the new products which we introduced. So our market share has certainly gone up in the concrete segment.

Indrajit Yadav In the medium horse power segment, one of the largest player Cummins is making a comment about inventory rationalization. Have you witnessed anything like that and how is pricing? Is there under cutting happening in that segment or do you think pricing is fairly stable there?

Ashok Kumar Sonthalia Pricing is very competitive at this point of time. As I told you, the demand was down during Q3FY13. So when the established players are also taking aggressive stance on pricing, the pricing improvements are not to be seen. They are stable on some of the ratings or they are facing pressure. But we are able to grow our volumes in 60 – 200 KVA range.

Indrajit Yadav Last question from my side in the automotives again we have done well. Within that space what exactly drove this performance? Which of our key customers have started to do well and what would be the outlook for next 3 months to next year or so?

Sunil Pahilajani In automotive now as you see our spread of customers have increased and it is no more based on a customer as it used to be perceived earlier. As a combination it has improved. So overall it has improved in this quarter and we have also improved on our aftermarket sales which is an additional

thing. You have to compare not quarter to quarter but you have to compare quarter with the corresponding quarter of previous year as these businesses have its own seasonality. And from that point of view if you compare, we are positive going forward.

Indrajit Yadav But the outlook again from a slightly longer term perspective. Do you think the feedback from your customer is more positive and more constructive regarding?

Sunil Pahilajani In automotive business we all know getting firm clarity beyond couple of quarters is very tough. But so far as I said for the ongoing quarter we are positive but compare it in terms of its own seasonality.

Moderator Thank you. The next question is from the line of Nirav Vasa from SBI Cap Securities. Please go ahead.

Nirav Vasa Can you please help me with the volume of engines dispatched in the third quarter? And the same number for the third quarter last year?

Ashok Kumar Sonthalia As far as automotive industry is concerned we did about 115,000 engines this quarter compared to 105,000 engines last quarter. We did better in gensets and industrial applications compared to the last quarter. So both put

together, this quarter we would have done about 1200 engines in this quarter compared to 900 engines last year. Though the overall pumpset market was down during the quarter, the diesel pumpset market did well. We would have done about 37- 38,000 compared to 45,000 last year.

Nirav Vasa

Sir in the auto segment you had informed in the last call that negotiations with auto players usually happen twice in a year. So just wanted to check if there is any price increase in the volumes which has dispatched to auto players?

Ashok Kumar Sonthalia

For price increase, there is no rule that it would happen twice in a year. For each customer, there are different frequencies and now we have a spread of customers. So that keeps on happening. This quarter also, there was price increase with one of the large customer.

Nirav Vasa

And it was in what percentage?

Ashok Kumar Sonthalia

It would be about 4 - 5%.

Nirav Vasa

Sir we are also in the process of developing a CNG engine or Tata motors. Can you help me with the developments status of that project please?

Ashok Kumar Sonthalia We currently supply diesel engines for Magic Iris and Ace Zip. CNG engine is also under development and progressing well. It is at near completion I would say. We and Tata Motors are working together and will align it with the launch strategy of Tata motors.

Nirav Vasa Can you give me the breakup of spare part revenue in total revenue?

Ashok Kumar Sonthalia In the overall company, it is 16% for the quarter and for various segments it is different.

Moderator Thank you. The next question is from the line of Bhalchandra Shinde from B&K securities. Please go ahead

Bhalchandra Shinde In Q3, Tata Motors Ace zip and Magic Iris did good volumes. What kind of sustainability you see for the next year? Do we see kind of good growth on these numbers or we expect the numbers to stay for this level for the next 6 – 9 months?

Sunil Pahilajani I just mentioned that in automotive industry, beyond couple of quarters no one is able to define certain numbers. To answer your question, customer's view is positive and they are growing its capacity which means they have confidence that it will increase.

Bhalchandra Shinde And in infrastructure equipments especially in road construction equipments, as you said the last quarter was good. But overall after road project cancellations, do we see impact on our sales in Q4 or we expect Q4 will be good comparatively.

Ashok Kumar Sonthalia We believe the momentum should sustain. From here onwards, it should not come down as far as infra equipment is concerned. Road equipment has already shown some momentum during quarter which should be sustained. Concrete is yet to see some momentum but with the environment becoming gradually conducive over the next few quarters we believe concrete would also improve. As far as Greaves is concerned on concrete side, some of the initiatives on our product portfolio would certainly help us to take advantage of that growth and even if that growth is not taking fairly good momentum, we should be able to grow our volumes and our sales revenue in this segment.

Bhalchandra Shinde Currently what is the capacity utilization and if you do higher volumes, do we expect any kind of upset in our margins and by how much?

Ashok Kumar Sonthalia As far as our capacity is concerned, we believe that we are good for year 2013. There will be certain things

which we need to do for debottlenecking but those would not be very huge things. As far as margins are concerned, the material cost reduction initiative which we have been talking about for the past two quarters are now becoming more visible and that trend would sustain. The product mix is another angle which may impact our margin. But over all we believe we will sustain and gradually improve our margin.

Bhalchandra Shinde Sir what is our current utilization level?

Ashok Kumar Sonthalia At the current rate what automotive engine is doing we still have capacity in Ranipet to assemble something more. So I would say we are working around 85 - 90% at this point of time. However, we have created certain infrastructure where we can very quickly add capacity, either immediately doing something in-house or through outsourcing route of some of the components.

Bhalchandra Shinde Just last question, CAPEX for FY13 and FY14?

Ashok Kumar Sonthalia We are yet to finalize our CAPEX plan. I believe it could be in the range of Rs.120 - Rs.130 crore.

Moderator Thank you. The next question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.

Pritesh Chedda Sir, in last question you answered CAPEX of Rs.120 crore. Is that for 2 years put together?

Ashok Kumar Sonthalia No, I am talking for the next year. As I am telling you, we are working on it and the number I gave is a bit tentative. But I believe we will be somewhere in that region.

Pritesh Chedda Is there any green field or brown field lined up because this number looks fairly big?

Ashok Kumar Sonthalia No, there is no major green field line in this. These are mostly for completion of Ranipet which we may have to do if the growth in demand trend continues. We have to create some addition in our construction equipment because we are increasing our product portfolio. So facilities for that, but that will not be a green field. It will be in the same facilities. A major part of the expenditure would be creating R&D infrastructure for our farm equipment division and new product development.

Pritesh Chedda My next question is the gross margin improvement during the quarter. How much of it should actually be a function of product mix change because this is probably the first quarter where 3 wheelers ideally started delivering some numbers.

Ashok Kumar Sonthalia If you are comparing quarter on quarter then yes, but if you are comparing this with the quarter last year then 3 wheelers numbers have not increased much. They were kind of flat, growth of 2 – 3%. But quarter on quarter, yes, there was a growth. If you compare margins similarly, then the margin growth is not that much due to product mix issues. It is more because of material cost and of course some improved price realizations on automotive segment.

Pritesh Chedda My second question is with regards to emergence of Quadricycle. Your thoughts there. How as a company we might gain or get impacted?

Sunil Pahilajani Actually this is something that customers have to decide when and how this product comes up. There are some government policy issues also I believe. As this comes up we have products to offer. So we will see this as an additional opportunity in terms of offering engine solutions.

Pritesh Chedda Is the initial assessment right that it would eventually cannibalize the 3 wheeler passenger?

Sunil Pahilajani Well can't say that. So far, there are lots of speculations between 3 wheeler and 4 wheeler and there is still not any

clear cut trend. There are some things which we are also observing. But as I said from Greaves Cotton's point of view we have solution for all these products.

Pritesh Chedda My next question is about the tie up which we did for the construction equipment, say about 3 quarters back and we were intending to launch few product lines in quarter 4. So if you could update on what is the status and what kind of business can be generated in FY14. What are the plans then?

Sunil Pahilajani Certainly we are going on time. And the product launch will start as scheduled. Some products are being launched in this quarter, which is the S-Valve. And some of the products like Boom pump will be launched in the next financial year. In terms of total financial impact, it will be difficult to say today. But these are very premium and very important products and have big market potential not only in India but overseas.

Pritesh Chedda What are the initial product lines that we have thought of launching? If you could name them and help us with the market size for them, similar to what we have in the mixers.

Ashok Kumar Sonthalia To answer we are launching for sure in this quarter concrete pump which is stationary concrete pump and technology is S-valve. We earlier used to have flat gate technology which was getting obsolete and that is why gone through this route of buying this technology. S-Valve is gradually replacing the flat gate and is a rapidly growing market which is about 18 - 20%. The second product on the pump side is the boom pump which we would be coming out in H2FY14. Apart from these two which we are getting from our technology tie up, we are also doing our internal enhancement of product portfolio on batching plant. We had 30 cubic meter and already launched 60 cubic meter. So all these things would be giving us good presence in concrete and that is why we are pretty confident on that. We hope market would improve and we will improve in this segment. They are not as large as concrete transit mixer. Transit mixer I would say would be 50 - 60% of this market but both put together, beginning is batching plant and transit mixer and then concrete pumps would be holding about say 20 - 20%. That's my rough guess.

Pritesh Chedda Do you have to make any capital commitment for the existing facilities or it is enough?

Ashok Kumar Sonthalia For boom pump we will have to do something but existing production facilities are good enough.

Pritesh Chedda And my last question is with regard to Piaggio. The thought and intention of 4 wheeler 0.5 tonner, 1 tonner, and 1.5 tonner product line in production. Any updates there? How do we gain from that particular development?

Ashok Kumar Sonthalia Half tonner is most likely with us.

Moderator Thank you. The next question is from the line of Ashi Anand from Kotak Mutual fund. Please go ahead.

Ashi Anand First question I have is on Tata Motors. Could you just help us with the volumes you have done in the first 9 months? And second question is a follow up on the answer of previous question. I also heard Piaggio is actually looking at launching petrol 3 wheeler. If you could help us, are you going to supply that particular engine and what is the time line for the launch?

Ashok Kumar Sonthalia See on Piaggio plans we will not like to comment. But as far as Tata Motors is concerned, as there is supply going on and relationship you know very well I will tell you for the first 9 months we did about 50,000 engines for them and in the quarter 3 we did about 22,000 engines for them.

Moderator Thank you. The next question is from the line of Bhargav Budhadev from Ambit capital. Please go ahead.

Bhargav Budhadev Piaggio has already launched 3 wheeler Ape City in 4 variant, Petrol, diesel, LPG and CNG. Just wanted to check that whether we are supplying any of these engines? Second is there an indication from Tata Motors to expand their capacity at Dharwad given that the utilization has already reached about 90%. And third question would be, will Greaves be a beneficiary of the new permits which have been issued for 3 wheelers in Delhi and Hyderabad, given that these are essentially for CNG based 3 wheelers vehicles.

Ashok Kumar Sonthalia As far as CNG engines are concerned with Piaggio, we are the supplier. Earlier they used to export with our engine but now they are looking at Indian markets also. Tata Motors may have their own plan to expand it as they see market. I think they have a large infrastructure there.

Bhargav Budhadev But any indications from their side because you might have to in turn expand your own capacity base.

Ashok Kumar Sonthalia Just to answer you when this relationship started the Phase-1 was 90,000 and same was the Phase-2. Now of

course we are hitting the Phase-1 limit. So of course both of us are working on Phase-2.

Bhargav Budhadev And that can come in what time sir?

Ashok Kumar Sonthalia As the market demands.

Bhargav Budhadev So as fast as 3 - 6 months is it?

Ashok Kumar Sonthalia Yes.

Bhargav Budhadev And Sir about my last question. In Delhi and Hyderabad new permits have been issued for 3 wheeler vehicles and essentially these are CNG based. So would Greaves be a beneficiary of that?

Ashok Kumar Sonthalia As long as Piaggio can penetrate on those licenses, we will be beneficiary. But you know, predominantly Bajaj and TVS are strong in these markets. So to that extent we see only marginal gain for Greaves on this.

Moderator Thank you. The next question is from the line of Abhijit Vora from Equirous securities. Please go ahead

Abhijit Vora My question is could you just list out for our convenience, the new products which you are launching and probably the

timeline when this will start contributing to the revenues across the division?

Ashok Kumar Sonthalia We will not be able to give too much information on that except what we have announced in construction segment. We are doing concrete pumps which are stationary pumps and we are launching them in this quarter itself. We are launching boom pump in H2 next financial year, for batching plant the entire range has been launched. That completes our range as far as concrete is concerned. Road, we already had a good product portfolio. We are just looking for some of the sophisticated equipment which we will not manufacture and if required we will bring them to the Indian market initially through trading route. So there is no fixed timeline for that. As soon as we see some traction in the market, we will start doing that. As far as engine segment is concerned, on farm equipment we are working on several new products. They are all sprayers or power weeder or reaper, some of the things which we have been trading. We want to further enhance them and indigenize them. The plan is on and you may see 3 - 4 products coming out of our manufacturing stable next financial year.

Abhijit Vora What about industrial and auto division Sir?

Ashok Kumar Sonthalia Our engine portfolio is well developed. So we will be looking at newer customers rather than newer engine at this point of time.

Abhijit Vora Any progress anything you can hint us in terms of acquiring new customers?

Ashok Kumar Sonthalia That would be only once we sign and we are in a position to announce. But there are discussions at various stages. So hopefully we will have few meaningful announcements during next financial year.

Abhijit Vora You were trying to ramp up your portfolio and power generator, going into lower range as well. What is the progress there?

Ashok Kumar Sonthalia We are working on various options in less than 25KVA segment. The product development plan is slightly delayed but hopefully in next financial year, we will be able to launch. However, right now there is no confirmed timeline around that product.

Abhijit Vora Your products will be compliant with new CPC norms which will be implemented shortly

Ashok Kumar Sonthalia Yes.

Abhijit Vora Any idea you can give us when this will be implemented?

Ashok Kumar Sonthalia No. That is what I said that particularly for this product we are yet to form a timeline.

Abhijit Vora Could you help us with market shares in various segments, in

4 wheelers as well as in concrete? You just indicated that there were improvements across.

Ashok Kumar Sonthalia 4 wheelers, the segment where we are operating in, predominantly it is only Tata Motors right now. And if you combine it with 750 kg, then this is improving. Right now it is in an evolutionary phase. If you look at 600 Kg segment where we are supplying, I would imagine it would be 100% or very close to that. Other than these two vehicles in that segment, right now there is no meaningful vehicle. In diesel 3 wheeler, we have 80% market share. Moving to power gensets, we have always maintained that we don't have significant market share in that, other than 300 - 500kVA which are slightly on a higher medium horsepower where we enjoy about 12% market share. For the rest, we are still building our share which is currently low around 3 - 4%. As far as farm equipment in concerned, in petrol kerosene the

market has de-grown during this quarter. But we maintain our market share of about 48 - 50%. In the diesel pumpsets, we have 15 - 16% market share and we are growing. Power tiller again we are number 3 and similar percentage of market share would be there. In construction segment, we have 22 - 23% market share in concrete and in road 12 - 13%

Abhijit Vora When do you expect concrete to breakeven?

Ashok Kumar Sonthalia We would treat them as a combined infrastructure segment for us. Q3 & Q4 are the best quarters for this segment. We are hopeful that a breakeven situation may be achieved in Q4, not for the full year but just for Q4.

Moderator Thank you. The next question is from the line of Ram Hegde from Primus investments advisors. Please go ahead.

Ram Hegde My question is on engines. Can you give a split between auto and non-revenues?

Ashok Kumar Sonthalia If you just look at our light diesel engine portfolio, I am talking about the whole company, its 10% non-auto and the rest is auto application. We have another 15 - 16% coming from power and industrial segment. Then we have a pumpset which is included in 10% non-auto and other than

that is our petrol kerosene which is not diesel. So overall company basis, automotive application still is about 50–55%.

Ram Hegde The growth that you have shown, is it fair to assume that it was largely volume or was there any price also?

Ashok Kumar Sonthalia Largely volume I would say. Price has been competitive across all sectors except we got some price increase in automotive with some customers to compensate for the cost increase. As mentioned earlier in the call, there is lot of impetus from our side on aftermarket and spares sales which have given us a good result.

Ram Hegde How much has spares grown YoY?

Ashok Kumar Sonthalia It has grown 30–35% YoY.

Ram Hegde On the infra side, you brought your breakeven down. Is this the new sustainable level?

Ashok Kumar Sonthalia As the scale is still not big, product mix does impact road versus concrete sometime and within roads and concrete which equipments are selling more. The sustainability would come only when you are at a scale where these minor issues don't interfere with margin that

much. I think we are yet to cross that. But I would imagine once we cross Rs.200 crore mark and start reaching Rs.250 – Rs.300 crore then things would be very steady and margins will be very predictable.

Ram Hegde And if I heard you correctly, during the opening comments you mentioned there was sale of some real estate?

Ashok Kumar Sonthalia There was one apartment which we sold for Rs.4 crore.

Ram Hegde And last question from my side was you said CAPEX of Rs.120 – Rs.130 crore. Part of it is Phase–2 related?

Ashok Kumar Sonthalia Yes part of it will be Phase–2. Significant part would go to farm equipment this time on R&D capability and new product and production facilities for that. As I told you, we are still working on it. We will be able to give you more concrete indications next time when we meet.

Moderator Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade I wanted to understand our existing relationship with Piaggio on the 4 wheeler side. For which models are we currently supplying?

Ashok Kumar Sonthalia We were supplying to their large 4 wheeler which was Ape truck plus. But sales of the same have been coming down significantly and the future of the vehicle itself is under question. It may be re-launched in whatever way. So that is coming to almost nil situations. If you talk about now, there is no supply of 4 wheeler vehicle currently. But we hope that as I indicated we will start on the smaller 4 wheeler and we will see whether other opportunities come our way or not.

Sanjeev Zarbade And regarding this CNG variant of Ace Zip, what is the over all market for that as compared to the current diesel one?

Ashok Kumar Sonthalia It's again a new product. It is creating its own velocity in the market. And with CNG, then it will have access to various markets without any restriction anywhere and that's the advantage. It is very difficult to predict because the diesel version has done extremely well. If you look at the smaller 4 wheeler category growth, largely it is coming from this category which can also be seen from SIAM numbers. So perhaps CNG may replicate the same kind of story but it's very difficult to tell.

Sanjeev Zarbade And in the segment numbers for others, it is at around Rs.3 crore versus Rs.0.6 crore. What is that on account of?

Ashok Kumar Sonthalia There is one steady product in others which is power tiller. Now power tiller also we are starting on our own. So overall power tiller what we sell, still some of them are coming through trading route predominantly. Also, others are very opportunistic kind of play which are either may be sometime for Indian market or they are from our international trading. So that is why others segment is pretty volatile. Depending on opportunity, because it is a very small portion of our revenue, the margin variation may be there. As long as it is profitable and supporting our main product, we may do this activity.

Moderator Thank you. The next question I from the line of Srinivas Rao form Deutsche Bank. Please go ahead.

Srinivas Rao Could you throw some light on what could be the potential price or cost impact of the new emission norms?

Sunil Pahilajani I must tell you that emission norms are still not announced by government. So determining the cost will be very vague for us. It will depend on the level of emission which is required in that.

Srinivas Rao And what do you think is the timeline for that? Is there any a deadline or something for the norms to come out?

Sunil Pahilajani We expect government may announce anytime. But applicability earliest would be 2015 is what we understand.

Moderator Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel Just wanted a clarification in petrol and kerosene based pump sets you said you enjoy 45 – 50% market share.

Ashok Kumar Sonthalia Yes.

Manish Goel Okay so basically looking at the competitor numbers, what we see is that they have done extremely well in the farm equipment engine segments. Has the market moved from petrol and kerosene based pumpsets to diesel pump sets?

Ashok Kumar Sonthalia I mentioned to you that in diesel pumpsets we have done well though there was some slowness in the market. To draw a conclusion, the petrol kerosene market is certainly maturing. Whether it will de-grow completely or this trend would continue, we will still wait to conclude that because it has got its own USP in terms of portability, being light and cost etc. Those things still holds true. We also believe that it is now becoming mature and growth rates may be low . Diesel pumpsets would still continue to grow

and that is why we are present in this and have been consolidating our position since past 2–3 years.

Manish Goel So is it possible to give a rough breakup? In terms of the size of the market and how it will be broadly between these two segments?

Ashok Kumar Sonthalia I would imagine petrol kerosene pump should be about Rs.250 crore but diesel can be Rs.700 – Rs.800 crore market.

Manish Goel In industrial segment, how many engines you did?

Ashok Kumar Sonthalia Industrial, we did about 500 engines in the last quarter. But again industrial engines are of a very different size. I would just caution you there can be very large engines and can be very small engines.

Manish Goel And in auxiliary power business, I think the CPCB norms may be notified in near terms. So how is the readiness of the company in terms of adhering to those norms?

Ashok Kumar Sonthalia There are different engines which are going into that segment from our stable. Some of them are already compliant and we are working on others. The notifications have been announced and applicability is July , 2013.

Whether that will be implemented on schedule or not is what everyone is watching for.

Moderator Thank you. We will take a final question from the Mahesh Bendre from Quantum securities. Please go ahead.

Mahesh Bendre Given that we are at the fag end of this financial year, wanted to know your outlook for FY14. Based on your own experience and assessment of the current situation, do you think FY14 will be better than FY13?

Ashok Kumar Sonthalia Like everyone, we also believe like that, FY2012 -13 was more challenging and tougher. We expect FY2013 - 14 to be slightly better. All the experts are also predicting the same in terms of GDP growth rates, etc. So it's not going to be very spectacular but it should be better than FY2012 - 13. With our own efforts on some of the new product offerings, development, new customers we hope that we will be able to beat it slightly.

Moderator I would like to hand the floor back to Mr. Sunil Pahilajani for closing comments.

Sunil Pahilajani Thank you vey much everybody for your participation. I hope we could answer your questions. As I mentioned in the beginning that the performance of your company has

improved and there is every effort to sustain it. There will always be impact of seasonality which needs to be considered. And as we move on, we see the benefit of various initiatives and actions in terms of products, skill development, and material efficiency and so on. I believe that your company will continue to do well.

Ashok Kumar Sonthalia Thank you very much to all of you for your continued interest in Greaves Cotton. As mentioned during the call, we had taken certain initiatives which were within our control. They have started showing results on material cost front. Material cost improvements are not only neutralizing the cost on other efforts but rather giving some benefit in profit and loss. Organizational building is an investment which we are doing and which is shown as expenses at this point of time. R&D and product development is going to be key focus area for the company going forward. You will hear more from us on those fronts. As the management team, I think we are all optimistic about the future of the company. Thank you very much.

Moderator Thank you very much sir. On behalf of Greaves Cotton Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.