GREAVES

Greaves Cotton Limited

Q1 FY2022 Earnings Conference Call

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Management Representatives:

Nagesh Basavanhalli – Group CEO and Managing Director

Arun Srivastava – Head Strategy and New Ventures

Dalpat Jain – Group CFO

Moderator: Welcome to the Greaves Cotton Limited Q1 FY22 Earnings Conference Call. From the management we have with us Mr. Nagesh Basavanhalli - Group CEO and MD and Mr. Dalpat Jain - Group CFO.

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 the conference call please signal an operator by pressing '*' and '0' on your touchtone phone.

I now hand the conference over to Mr. Nagesh Basavanhalli - Group CEO and MD of Greaves Cotton Limited. Thank you and over to you, sir.

Nagesh Basavanhalli: Thank you. Good morning, ladies and gentlemen. I hope all of you are keeping well and staying safe in these difficult times. I welcome you all to the Greaves Cotton Q1 FY22 Conference Call.

I would like to begin by just starting off with an overview of the business and my colleagues will talk in more detail as we go through. As we are all aware, the nation was under a lockdown during most parts of the 1st Quarter, due to COVID-II. Greaves continues its trajectory of diversification even in the middle of that lockdown. The Q1 faced strict lockdowns as the initial stages of the pandemic were ongoing. The company had plans to kind of, from a business continuity from an employee and our stakeholder well-being and in fact vaccination of our people and some of our related, immediate stakeholders. That was one of the first priorities for Q1 and glad to report that majority of our people are vaccinated.

Our diversification strategies, which started about four years ago, have aided in the resilience of the company. And we continue to see that progress. We have restructured our business internally to focus on each business and align more efficiently in delivering value to our end customers. To that end, we have now restructured into three major businesses and two new business lines. Let me elaborate. Our core Greaves Cotton business which was auto plus non-auto is now combined under one vertical and one management team. Then we have Retail Solution, Greaves Retail, which will be the traditional Aftermarket plus the Greaves Care plus the Greaves Retail. Then we have the E-Mobility Solution, which is the Ampere suite of products. In addition to that we have two newer businesses, FinTech, Greaves Finance or Greaves FinTech and Greaves Technology.

So with that, let me reiterate, it is the Greaves core business, which is auto plus non-auto, Greaves Retail, Greaves E-Mobility, which are the three primary businesses and Greaves Finance or Greaves FinTech and Greaves Technology. This also is in-line with our strategic mantra that we started four years ago, of moving closer to our consumer, moving from a traditional B2B to a B2B plus B2C and extracting lifecycle value.

Now let me move to some of the other businesses Ampere Vehicle is the fast growing E-Mobility business of Greaves Cotton has accelerated India's EV journey. Very happy to report that over the last several days, the team, thanks to the collective hard work of the team, between our two-wheeler and our e-rickshaw, they have crossed the new milestone of 100,000 EV customers, over 400 towns across the country. So over the last few years since the acquisition, Ampere Vehicles has emerged as one of the leading, affordable, reliable electric vehicle brands in the mass mobility segment with increased acceptance from both B2B and B2C customers.

Recent government initiatives and FAME II policy have also proved beneficial for this industry. We have passed on the benefits to our consumer ensuring we cater to a much broader customer base. In-line with our company's strategy of expanding E-Mobility our Ranipet plant, which we had talked about, will be launched later this year; happy to report that the progress on that is going well.

We will also be looking at multi-brand E-Mobility retails and to provide a one stop shop for all things related to EV under our Greaves Retail umbrella. Greaves has continued to build on its existing portfolio by investing in technology, talent and the entire lifecycle. Talent has been added in some of the newer areas whether it is E-Mobility or Finance or some of the services area.

To begin with E-Mobility business, we have now established a strong phy-gital network. We are also going to be launching an Experience Centre for Ampere to enhance the consumer experience and immerse consumers into the future of mobility. The development of the Greaves Finance arm will be an additional enabler to the EV industry. As we have been mentioning, in the past our efforts on Ranipet continues. And we are excited that that capacity increase will aide us as we move forward over the next several quarters and several years.

We have always focused on building our range of products and introduced a new range of products under our non-auto segment, which was one of the areas of diversification a couple of years ago and happy to report that marine segment where our engines serve one of the largest fishing communities in the world has seen additional traction. We have also launched over the last quarter light construction equipment providing more efficient and durable engines in the construction industry. We are beginning to see even as we get into the month of July, increased traction in both the non-auto segment and the E-Mobility segment. Thank you all, I will now hand it over to Mr. Dalpat Jain for a discussion on the financials. Thank you.

Dalpat Jain: Thank you, Nagesh. Good morning everyone. To give the highlights on numbers, so as Nagesh mentioned the quarter was impacted by the COVID wave two and the lockdown which started from last week of April continued till the third week of June and that had a significant impact on the revenues of company. Still, if I compare from the last year 1st Quarter, which was again impacted by the COVID lockdown, complete consolidated revenue grew by 47% to Rs. 229 crores. EBITDA loss reduced from Rs. 27 crores to Rs. 17 crores.

Now, if I look at the individual business unit, as Nagesh mentioned non-auto business reported a healthy growth of 142%. Volumes in the non-auto business grew by 78%, the engine volume in non-auto business grew by 78%. Our aftermarket sales and service and retail business grew by around 27%. E-Mobility particularly the two-wheeler, the manufacturing plant was shut for more than eight weeks due to severe COVID impact in Coimbatore and that had it's impact on the revenue. But as soon as plants opened, we saw a significant demand and July has been best ever month for our electric mobility business. So, demand is continuing at a very strong level with all the government incentives out there. It's the auto engines where we saw a de-growth in the current quarter and volumes de-grew by 16% mainly because of lockdown and the secondary inventory in the dealer's side. So that is going to pick up as we come closer to the festive season.

Subsequent to the quarter, Company also entered into an MoU with a developer for selling its land at Pune, the Chinchwad, Pune area. The consideration for the land sale is determined at Rs. 320 crores, which will be received in three tranches. The first tranche of 10% is already received on signing of MoU, the balance will be received in December and March or earlier if the regulatory documents are signed before that. With that, I will hand it over to Moderator again for opening the floor for question answers. Thank you, everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: First question is on this, you said two new areas of Greaves, Greaves FinTech and Greaves Technology. So, we already over last three or four years started two to three areas, we have targeted like aftermarket, electric two-wheeler, three-wheeler and non-auto engines, and we have a very large grounds to scale in electric two-wheelers because the competition is increasing. So, with all these things where the opportunity is still quite big, aren't we taking too much on our platter, going into Technology and FinTech as well? And if you can just highlight what areas in these two verticals we are looking at?

Nagesh Basavanhalli: I will just take that at a broad level. So, if you look at it, the core business remains our traditional GCL core, which is an engine fundamental where we have taken the manufacturing footprint, made it more efficient, moved everything to the Aurangabad mega-site. We had operating efficiencies that we got last year. In addition to that, as we have said, by virtue of the next level of restructuring that we have just announced, we will get additional operating efficiencies starting FY23. And by virtue of both auto plus non-auto combining and diversification with non-auto, the utilization and the efficiency and the throughput increases, I assume you are with me on that. So, we have made that core business more efficient, more future ready, by diversification auto plus non-auto, point #1.

Point #2, there are really two other businesses like you said, one is the aftermarket business and now by virtue of aftermarket business when you look at it from 3,000 retailers plus, several years ago, we have gone to about 7,000 close to 7,000, 6,700 I believe. The mechanics are now greater than 12,000 mechanics. Greaves Care and Greaves Retail, which is multi-brand service, multi-brand retail has been added. So now when you look at it, the Greaves aftermarket, or the Greaves Retail is really the aftermarket solutions all combined under one focus and under one leader, that's the purpose of that, second point. So no, change there.

Third, is the E-Mobility which we continue to get traction in the belly of the market, the two-wheeler, three-wheeler segment, which forms 75% plus of the Indian population. That is just the three businesses we are focused on.

Now, let me tell you, Greaves Finance is an enabler to our two-wheeler, three-wheeler business. About 18 months ago, not very many banks were participating in this E-Mobility transition. It's obviously changing now. And our involvement in Greaves Finance was to enable that transition, accelerate the transition of E-Mobility, and I think we are seeing traction. So, it’s an enablement to our core business.

Greaves Technology is very similar. Greaves Technology, what it does is we have engineering services arm that focuses on automotive engineering, that focuses on embedded systems, some of the areas that Ampere from a technology differentiation and a technology mode needs to. So it's again, an enabler to the core business. So make no mistake about it, its three fundamentally strong business and two enabler business.

And it's all coming together with this transition from a B2B to B2B plus B2C, we are getting closer and closer to the consumer, whether it is that spare part sale, or the service sale, or the two-wheeler or three-wheeler sale. So that's kind of, the fundamental strategy hasn't shifted at all. It's refocused, sharpened, and made efficient, where we had efficiencies, and obviously, investment in areas where we need investments. That's kind of the thing. Hope that answers your question.

Ashutosh Tiwari: So basically, technology is more like the backend for your electric two-wheeler business to improve that.

Nagesh Basavanhalli: Exactly. Especially the high-end, as you can imagine, the technology will be a critical enabler for success for the electric mobility. And it's no longer mechanical, its mechatronics going forward and embedded systems and software. That's where that technology comes in.

Ashutosh Tiwari: And secondly, it was mentioned that July was the highest month for Ampere two-wheelers. So what kind of volume you did in that month?

Nagesh Basavanhalli: So, I will look to my colleagues, Dalpat and Arun if you want to comment.

Dalpat Jain: Yeah, so Ashutosh between two-wheelers and three-wheelers, we did close to 4,000 vehicle sales.

Ashutosh Tiwari: 4,000 sales in a month, wow.

Dalpat Jain: Yeah, between two-wheelers and three-wheelers together.

Ashutosh Tiwari: And the ratio of high speed would be how much?

Dalpat Jain: Because it is an upcoming quarter, Ashutosh I may not be able to answer this now. We will discuss more details.

Nagesh Basavanhalli: Yeah, and I think Ashutosh, if I can just add one more thing to what Dalpat is saying, keep in mind though this was after, like Dalpat, was saying earlier, after eight weeks of shutdown, Coimbatore was one of the worst affected, unfortunately, due to COVID-II. And the plant was shut down for eight weeks, our supply chain was shut down. So, after that, for both us and the supply chain to start ramping up, so it is just month number one. So please stay tuned.

Ashutosh Tiwari: And this was more like wholesale right, sales on your side?

Dalpat Jain: That's correct, but retail has also been equally strong, Ashutosh.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

Vimal Gohil: Sir, I want to probably just harp on a slightly more long-term question. Probably looking beyond the current quarter what we have sort of had, obviously, we have had a tough quarter. But my first question is regarding your E-2W business, which is where you were expecting very high growth going forward. Now, FAME II and state subsidies have sort of made, if you may call the higher end of the vehicles more affordable in nature. So, given the fact that, going forward, the affordability overall as a country in India is going to increase, you have seen that in the regular bikes and cars that premiumization trend is very strong even in COVID times. So, you have seen premium end of the car selling very well, premium end of the bikes also doing sort of well, over a period of time. So, just wanted to pick the Management's brains on what exactly are we are we sort of looking at in the long term, are we still going to continue focusing on the mid-range or the low range of the market? And if at all, we are sort of targeting to go into the higher end of the segment when do we do so and do we have the bandwidth to enter the high-end of the segment, because competition clearly is increasing big time in that particular segment, and the competition is focusing on that segment.

Nagesh Basavanhalli: I will start off and that may be my colleague can add. Very important question, we have always been very clear, that we play in the belly of the market. So, when you look at it, we typically are in the mid 30s to the Rs. 80,000 rupees type of a range the heart or the belly of the market, point #1. Point #2, with some of the government FAME II subsidy as well as state government incentives, whether it was Delhi or Gujarat or Maharashtra or several other states, what we have seen is a significant traction in the belly of the market.

What we have also seen is significant first-time buyers, these are not ICE engine buyers, these are first time buyers coming into the electric two-wheeler segment. So our strategy of playing in the heart of the market affordable, last mile mobility, which moves India, which is the fundamental DNA that Greaves was always about, about moving people and moving cargo. I think that's our fundamental thesis and will continue to be a fundamental thesis going forward. And we believe that's serving us well, because even during the FAME II introduction, we stuck to our strategy and we stuck to our positioning and that doesn't mean that we are not going up the value chain in terms of range, speed, craftsmanship, technology. Stay tuned for more announcements on that in terms of the future, but clearly, the affordable, meat of the market or the belly of the market is where we are going. Arun if you want to add.

Arun Srivastava: So Nagesh, broadly, you have covered the points. I would just like to add one point that our thrust always has been on the affordable mobility segment and as we are seeing that with lithium-ion battery price reduction or some of these incentives coming in either through FAME II or through the government incentives, we have been steadily improving the proposition of the vehicle and our average price realization per vehicle every year is on an upward trend. So, we are following the market and as the customer propensity to pay and buy an electric vehicle increases and improves, we will be in the market with the right solutions. It's part of our product roadmap.

Vimal Gohil: So as you call it, sir, the belly of the market, so if the belly of the market is going up to the higher end, if there is a shift happening would it be fair to assume that Ampere will also change its gears accordingly?

Arun Srivastava: Yes, so, it is not a question of capability that whether we can get the right products in that market, it is a choice of customer segments, which we have taken and the price value curve, which we have decided for our product positioning. So if the market shifts, we will be ready ahead of time to tackle the market.

Nagesh Basavanhalli: And if I can just add the ASB that Arun was talking about, you can look at the data where we were two years ago, to where we are in terms of average selling price. I think it's moving in that direction as well.

Vimal Gohil: Any other piece of land that is up for sale, because you have sort of consolidated, very well. I think that's a brilliant decision. And any other land that is up for sale? And what are we sort of planning to do with the money that is coming in? Are we sort of planning to reinvest it, maybe probably reward the shareholders on a one-time basis? What is the plan there?

Nagesh Basavanhalli: So ultimately, as you know, that's going to be a board decision. But clearly, the new money coming in is all going to predominantly be looked at to fund growth capital and investments into the future.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi, from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Sir a few questions from my side. First is the FinTech and Technology arm which you talked about, just to clarify, these are purely from captive perspective, right and will not be offered to third party services?

Nagesh Basavanhalli: Let me elaborate. So, on the FinTech part, it clearly starts as an enabler for us. Having said that, though, we do have a lot of interest from others, but we will right now the primary focus is to get Ampere, and ELE our two-wheeler, three-wheeler brands going, I think that's the primary focus. And to the lesser extent, as you know, Greaves multi-brand retail, where Greaves Retail can benefit, I think is the primary focus, yeah.

Jinesh Gandhi: And for the technology?

Nagesh Basavanhalli: Technology, it’s still early stage it will come with a full vision but rest assured that the primary focus is on developing the core expertise within Ampere, but the secondary focus in technology because that's the nature of the business is also to benefit other automotive OEMs because they already have a presence today in that area. And the learnings are coming in by the way, meaning that will be where our engineers working not only on our projects, but also working on other global OEM projects. There will be synergies, and that's kind of how we see. So, technologies will help us actually fast track the technology curve.

Jinesh Gandhi: And the second question was on the July volumes which we talked about 4,000 numbers. So that is only two-wheelers, right or this includes electric three-wheelers, as well?

Dalpat Jain: Jinesh it is total of two-wheeler and three-wheeler, not exact 4,000 close to that number for the month of July. As you know, in the month of March, we had done 3,800 so it is higher than that.

Jinesh Gandhi: But predominantly it will be two-wheelers I guess, because electric three-wheelers would be very small given the market conditions.

Dalpat Jain: So Jinesh, I cannot comment further on the details of it. But overall number total number is more than March number.

Jinesh Gandhi: And focus, incentives from the government, Maharashtra, Delhi, Gujarat and everything how is the inquiry traction building up I mean, it can give some perspective on the recent March level. Are we trending similar inquiries and bookings or is it substantially higher given that cost to customers have come down materially, can you throw some light on that as well?

Arun Srivastava: Yeah so, the inquiry levels are actually much higher than Quarter 4 March levels. Twin benefits to that, one is the FAME II and state subsidies. Second is also the petrol price increase. So, both of them have increased the customer interest in the product. And like we have maintained in the previous month that it is not demand which is a constraint for us, today, supply is a constraint for us and that is where we are focusing on beefing up our manufacturing and supply chain.

Jinesh Gandhi: And any order backlog number which you can share I mean, I understand that there is a good amount of meat in, for our products on the ground. So, any order backlog which we would be having with us currently?

Arun Srivastava: Typically we don't share the order backlog, but it is it is very healthy order pipeline and the dealership interest is also very active in the business. Also, you would have seen our latest campaign where Ampere now has sold more than 100,000 units across 400 plus cities. So, we are pretty much present pan India now. And as the dealership network expands the penetration will go further, but today Ampere is a pan India brand.

Jinesh Gandhi: And last question from myself side is on the commodity prices, I mean, particularly the lithium prices have been also going up quite materially even last few months. So, A) have we started seeing impact of that on our costs? And B) What is your expectation of cost pressures on that side? And how do we plan to mitigate that?

Dalpat Jain: Yeah, so, Jinesh you have rightly pointed out the commodity price increases across metal, plastic, has impacted the RMC. We are working on some of the new ways of procurement, and we are also doing the localization. So along with localization, the idea is to develop strong supply chain partners who can give us a benefit of volumes as we scale up. So as of now, yes, in Quarter 1, there has been impact of commodity price increases on the RMC. And we expect that to continue for some time in short-term. But on a longer term, we believe it is going to get passed on to customer or we are going to have a better way or cost efficient sourcing chain.

Jinesh Gandhi: Sorry my question was specifically lithium prices obviously inflation there as well, I mean, are we getting impacted there as well?

Dalpat Jain: So Jinesh there in battery case, because one obviously there is a pressure on the lithium side, but at the other end there is overall reduction, because the supply base has increased. So, in particular in battery, that's not, there has not been an increase overall at a battery level.

Moderator: Thank you. The next question is from the line of the Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Sir, two questions. One, we have appointed a good number of dealers roughly around 180 post the lockdown and that's a good number, given our pace. So how do we look at our distribution network over a period of next two, three years? What kind of distribution network do you plan to build? That is question #1. And second, may I carry on with my second question?

Dalpat Jain: Yeah, Rahul please go ahead.

Rahul Jain: Sir we have around 14% to 15% market share in the EV mobility space, the two-wheeler space. And what you are seeing is any new players have entered the fray. And including now the incumbents also have been trying to scale up and enter the EV portfolio. So, with so many players, how are we positioning ourselves to grow in next to three years with regards to our market share? And how do we look at market share versus profitability as far as the EV two-wheeler space is concerned? So, what would be our priority going ahead for next two, three years as far as the EV two-wheeler space is concerned? My specific question is with regards to market share versus profitability.

Arun Srivastava: So, on the first part, in terms of the distribution network, Ampere, like I said earlier today is present virtually all across the country, we have 400 plus dealerships. There are certain markets, where the presence is there, but the depth of penetration is not very high that is something which we are working on. So, there will be some augmentation, which will happen as we move ahead. The second part is, we are also focusing extensively on the phy-gital channels. We have been working on digital showrooms and phy-gital connections, customer is not just physical retail based connect. So, that is one part which will increase Ampere's play in the consideration set.

The second part, when we come to the newer players coming in etc., we have maintained this in the past as well that today, the bottleneck for the industry is not the product or cost economics, it is the awareness with the customer segments and with more players coming in the anticipation is that the industry is going to expand fairly significantly, and we are moving quite close to the inflection point, that is point #1. So, there will be enough space for multiple people to co-exist.

What we have been doing internally is working on some of the basics. So, from virtually having only slow speed, lead-acid based products our product portfolio is much stronger. Our flagship product Magnus Pro, the demand is very good, and it is off the roof actually, that is one part. The second part is in terms of the dealership network from a South based or primarily Tamil Nadu based dealership, today Ampere is virtually present all across the country. We have enabled financing solutions, Greaves FinTech over a period of time will also act as an enabler to this business.

The third part is we have also been working on creating technology-based enablers and like I mentioned, in some of the previous calls that there are technology areas like Controller, BMS battery pack etc. which at the right time, we will look at developing a deeper play because these are these will act as differentiators, because electric vehicle is ultimately a tablet on wheels. So, this is where our thrust is to get the basics right and to drive this we have brought in a fairly strong professional team at Ampere. The leadership team is in place to drive the business to the next level.

So, these are some of the foundational steps which we have taken which we believe will help Ampere have a strong play in the market even once the full-blown competition is in the market.

Rahul Jain: Sir, initially, when the industry, I do accept that with recent measures, it looks like the industry can really explode in the next two to three years to come. So will we try to for next two years or so will market share will receive much higher focus from our side. Is that a fair assumption?

Arun Srivastava: See, I think you are also leading to your question between growth and profitability. This business is in the growth phase right now. And if you have seen we have been investing behind, readying up this business for that inflection point which is around the corner. So, there will be investment. However, in the past also what we have maintained that we will be prudent in terms of balancing the growth versus profitability aspiration. So, that balance will be there, but whether it will reach the traditional Greaves business level of profitability, I think it will take some time, because the business requires investment to grow in the initial stages, at least for the next couple of years.

Nagesh Basavanhalli: Yeah, and I think Arun if I can just add to the gentleman's question. Keep in mind though, Ampere is at in its 13^{th} year. Like Arun said, we have gone from lead-acid to lithium, low speed to high speed, building the fundamentals, three platforms over the last three years, between our platform, our Z platform, and our M platform, Magnus. How the vehicle operates in various duty cycle conditions, how the vehicle operates at a minus, or a zero-degree temperature, or a 49 degrees Celsius temperature, I think we have seen it. So, the capability of the team, the timelines, going through the learning curve, and now playing in the affordable heart of the market, and aspiring for responsible growth, or aspiring for growth is definitely the mantra, to answer your question.

Moderator: Thank you. The next question is from the line of Rajat from BNP Paribas. Please go ahead.

Rajat: Sir I had a question on the Ampere segment. So, I wanted to know in terms of inventory levels, if you could add some colour as to what levels of inventory would you be working with quarter-on-quarter and how those levels would have moved with respect to you know, we have seen the lockdowns, leadership closures and also the subsequent reopening. So just a little more colour on that would be really helpful sir.

Dalpat Jain: So Rajat on the inventory, we follow a ratio to maintain inventory of one month sale. And that's how we plan in our electric two-wheeler vehicle segment also. There are some parts which have a longer lead time, but overall at a portfolio level, we look at anywhere between 30 to 40 days of inventory. As you rightly pointed out in the lockdown, obviously, revenue was impacted with a sudden lockdown, whereas orders had already happened as per the one month or one and a half months of normalized sale. So as on 30th of June, there was a spike in the inventory level. But that will get normalized to one month kind of the sale as we move forward. Like on 31st of March, we had inventory of Rs. 15 crores in Ampere business.

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

V. P. Rajesh: Just one clarification Nagesh, when you talked about the new structure, what about the agri products is that also being moved into the auto, non-auto business or is it being deemphasized? And secondly, on the retail side aftermarket, and all the showrooms that you have opened, reached 400 showrooms, they are being put together, is that the correct understanding?

Nagesh Basavanhalli: Yeah, I will clarify. So clearly, when you look at it over the last couple of years, we had combined our Genset, agri lot of our non-auto business under one umbrella. Now by virtue of the next level of integration, we are bringing in one leadership and the leadership that has been successful over the last two years. Agri is still a key part of this Greaves core portfolio. So, what happens is the core engine manufacturing facility is all focused on Aurangabad now we have two locations in Aurangabad but a mega-site. Efficiencies have been gained, supply-chain have been commonized. Management talent has been optimized from a bandwidth consideration. Some of our best people have been put on that. And agri and genset will be part of the Greaves core portfolio. So the Greaves portfolio just to elaborate will have our automotive engines, our non-automotive engines which is the non-auto small engines. It will also have the agri it will also have the genset. But now it is all combined under one traditional portfolio called Greaves Core or Greaves Manufacturing, that's point #1.

Point #2 in terms of a Greaves Retail or Greaves aftermarket solutions, yes the thought process is now, let's take a step back. When you look at the automotive value chain, when you look at the, and that was one of the areas from a strategic intent we were trying to go after. Anything post-sale of a vehicle which is spares, sold through our 7,000 retailers outlet, exclusive and non-exclusive. Our multi-brand service where we get multi-brand three-wheelers and some two-wheelers coming in for service, basically our own engines spare sales so when you look at all the aftermarket or what I call post-purchase solutions, all whether it is spares, service, and multi-brand retail. So multi-brand retail now is evolving into not just selling our two-wheeler, three-wheeler products, but also getting into multi-brand retail products, especially in the Cleantech segment. So, all of that comes under one leader and that is the Greaves Retail, because we believe that's a profitable part of the portfolio, needed a lot more attention, and also a lot more potential for the future. So that hopefully clarifies how we are operating.

V. P. Rajesh: And the second question on the two-wheeler side, could you comment on the market share for the given quarter, for July, and if you can share that whether we are gaining market share or and we are moving up the leadership curve in terms of market share?

Arun Srivastava: Arun here let me take this question. So basically, in terms of the June quarter, the challenge was that the factory was closed for almost eight weeks because of the COVID lockdowns. So that did create an impact for us. But on a steady state, we have been in the 18% to 20% market share band and hopefully in the next few months as the supply chain etc. comes back, we will accelerate further. The demand is very strong for the products.

V. P. Rajesh: And Dalpat on the 4,000 units you mentioned you sold in July, how many of them were financed by us versus third-party financiers?

Dalpat Jain: So overall financing in the electric vehicle is a smaller percentage right now. Within that we do a captive financing of close to 10% of the financed vehicles.

V. P. Rajesh: So out of 4000, how many were financed then?

Dalpat Jain: See, overall if you look at Greaves Finance, it is still at a smaller, initial level and we are incubating so overall number would be less than 5% of the total.

Moderator: Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Funds. Please go ahead.

Sonal Gupta: Two questions, so this first one was on the supply chain side, like we have heard a lot about chip shortages from other OEMs etc. so are you seeing any constraints in terms of ramp-up like you said the demand is very strong. And I am sure the demand is also picking up further with the government incentives that have been announced. So, is there a constraint there and to what level of volume do you think you can currently ramp up to, if the demand is there?

Arun Srivastava: Yeah, so chip shortage is a, it is a challenge, no doubt about it and it's affecting automotive players. On the two-wheeler side, we have still been protected and we are watching the situation very closely, but at least from a next few month's perspective, our supply chain team has it covered. So immediate impact, we are not seeing on the chip side, but it is a volatile situation so we are keeping a tight watch.

Sonal Gupta: And what would be your current capacity, I mean just to try and get a sense?

Arun Srivastava: Again, that is, right now we have our Coimbatore facility, we have a capacity to go up to 5,000 units on a monthly basis. And as we move to Ranipet which is a new EV mega-site, the capacity will ramp up much further.

Sonal Gupta: And the three-wheeler capacity is separate, right.

Arun Srivastava: Three-wheeler capacity is separate and again there capacity is not a bottleneck. So both the locations currently are capable of expanding, handling much larger businesses.

Sonal Gupta: And just on the three-wheeler side, could you talk about, I mean like I understand like still 90% to 95% are lead-acid. So on the e-rickshaw or the E three-wheelers. So what is the roadmap in terms of sort of getting more towards lithium-ion?

Arun Srivastava: So what we have done is we have launched lithium-ion product for that market. So from a product availability perspective, we are there. The second thing which we did was we were only there on the passenger side of the vehicle. We have also launched a cargo variant of that vehicle. So that either ways as the market expands either towards the lithium-ion market or towards the cargo market, which is showing some signs of picking up, we will be present in both the areas. So, from a product strategy perspective we have seen that. On the market side shifting towards lead-acid to lithium-ion, this market is slightly slower, because from an initial price proposition perspective, the customer is still okay on the lead-acid side. But we believe that over the next one or two years as the prices of lithium-ion battery prices fall further and some of the customers see the benefits of lithium-ion products, there will be a transition, slow and steady transition towards lithium-ion in the e-rick segment as well.

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

Karthi Keyan: I was asking you, your thoughts on the impact of this new tender by CESL, how do you see that impacting the market, and your strategies?

Arun Srivastava: Yeah, so this tender is on the electric three-wheeler side, I think the L5 segment is what you are talking about. So, this is an interesting area and we are also looking at how we can look at expanding our horizons and through our Greaves Retail business we are looking at opportunities, but at the right time we will come back and talk about it.

Karthi Keyan: How do you see this impacting the overall segment profile, any thoughts on that, do you think it will be a bit like what happened with the EESL and LEDs?

Arun Srivastava: See, there are a host of incentives, be it on the GST rates or the registration charges or the state incentives etc. which are helping this segment come closer to price parity. Now with this kind of tender where there is a aggregation of demand so it will give a boost to the industry. And the way we are looking at it, from a product strategy perspective, we will be present in all the right growth areas. That's how we are looking at it. We will the solutions, we will give customer the choice, whatever is the best cost-effective solution to the customer from a TCO perspective between Greaves Ampere businesses we will be ready for that.

Karthi Keyan: And on Ranipet, when would the first phase be available? So when could you do say a 10,000 units, I am talking about capacity, not volume, sales volume?

Nagesh Basavanhalli: So, as we have said, I think we had basically said by the end of the fiscal year we will be ready. Now obviously we are doing our best to be ready sooner than that. So, stay tuned, I think as and when the right time is available. So, we are accelerating the good news is, we are running ahead of schedule. And we will be getting that plant ready again given the additional demand, I think we are trying to do our best to accelerate. So, I think you will see more announcements on that, but definitely this year you will see us moving to Ranipet.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: I had two follow-ups, essentially first on this Ranipet if you can give us a sense, what would this take the capacity to from the current 5,000 units a month that we are doing from Coimbatore?

Nagesh Basavanhalli: So clearly we have stated that we want to get in the first phase about 100,000, going to a quarter million, going to half a million and ultimately a million. So the Plant will be capable of ultimately going to a million units over a period of time and clearly we will add capacity, I mean the brick and mortar will be ready. The conveyer lines can be added very quickly and we can get up to a million as soon as demand starts picking up. In addition to that we have enough land for the next million as well. So I think we have already announced that we will be planning for 100,000 going to a million, that's protecting for the first million, that's kind of the initial plans.

Gunjan Prithyani: Okay, 100,000 in Phase-I. The second question I had was more broader on the industry level, clearly we are hearing a lot on the inflection nearing soon on electric two-wheelers. But fundamentally there are two constraints which you yourself have spoken about in past is that financing isn't that optimal in fact it's pretty much negligible and secondly on the supply chain ecosystem, given government has been talking so much, given the way incentive has been increasing, are you seeing any change on those two aspects, financing and building of localization of the supply chain by the industry?

Arun Srivastava: Hello, sorry there was a lag in the line, can you just repeat the question, please.

Gunjan Prithyani: So more from an industry level perspective, there are two constraints, financing isn't, you know banks isn't very or lets say NBFCs, banks are not very willing to give, lend to this segment, because of the resale, there is no establishment of resale value yet and secondly also the supply chain ecosystem. So, I just wanted to get a sense that given government is promoting this so aggressively, now has there been any change in this landscape that our banks willing to look at this more favourably now versus past? And what is happening on the building of the supply chain ecosystem are we seeing any motor capacity increase?

Nagesh Basavanhalli: So simple answer for both is yes and yes, right point #1. Point #2 Just going back to your previous question, I want to make it very clear. Why the initial capacity is for 100,000 Ranipet? We are fully capacitized to take it up to a million should the demands come in, that's why we have clearly stated that the brick and mortar will be ready, Plant-I will be ready, as and when they announce the factory start. And stay tuned for more details on that. But clearly ramping up from 100,000 to quarter a million to half a million to one million, I think is all doable in a very short order so that's one thing. So now in terms of the financing, we have seen a sea change of difference in the last 18 months, in terms of interest level. So, the simple answer is yes. Arun or Dalpat you want to add anything.

Arun Srivastava: So that's right so when we first started interacting with the financing companies in 2018 after acquiring Ampere, the general environment and availability of financing products has seen a sea change in the past three years. Today most of the leading banks have products in this segment and other thing which is helping is, as the industry moves towards registered high speed products, it becomes easier for financiers to come into the market and finance these products, unregistered products, there was a challenge. So definitely things have improved, two-wheeler segment, e-rickshaw segment, most of the e-rickshaws are sold under financing, almost 100%. So there it is very strong, and more and more banks are getting into this.

On the supply chain side, there has been a lot of development which has happened specifically since government announced FAME II and the phased manufacturing plant. And today we are working with a host of very good quality suppliers. Although it has been an effort because we have walked with them on the journey of getting the right products for the Indian driving conditions, Indian climate conditions, but yes, the interest has been very strong and every quarter as we see more and more established names are entering this segment. So as the industry shifts, I believe supply chain, it is a short-term gap, but it should get resolved as the industry, auto component industry in India matures towards the electric side as well.

Gunjan Prithyani: Just a clarification sir the motor all of these are you source it from the third-party suppliers, there is from a mid to long-term perspective is there an intent to look at the backward integration or you would go with the third party.

Arun Srivastava: So today we have been working with various strategic partners with whom we have jointly developed the right components solutions for our products. But as we go ahead we have stated back in the past as well, that as the volumes pick up and it starts becoming commercially viable, we will be looking at backward integrating into certain areas, specially the electronics and software controlled areas like BMS and the controllers as well as things like lithium-ion battery packs etc. So some critical components we will source and we will have strategic partners for some of the other ones, because at the end of the day, India has a very strong supplier base.

Moderator: Thank you. That was the last question, ladies and gentlemen, I now hand the conference over to Mr. Nagesh Basavanhalli for closing comments.

Nagesh Basavanhalli: Thank you all for your interest. Just to summarize what we said today. Our diversification strategy that we started four years ago, is beginning to pay off. As you have seen continuously over the last several quarters new business contributes close to 30% of the overall business, point #1. Business have been now restructured for increased focus and higher efficiency, our core strategy stays intact, Greaves Core, Greaves Retail, Greaves E-Mobility are the core businesses, and the enabler business of course is Greaves FinTech and Technology.

Third point, our EV presence has been strengthened. We have touched upon the one lakh customers, thanks to them on the ground. Channel expansion, EV ecosystem support and by EV ecosystem what I mean is financing, multi-brand spares, multi-brand service, it’s the entire lifecycle experience that a consumer wants. In addition to that, bringing in a lot of phy-gital or virtual dealership experience especially post the COVID era and also getting ready for the Ampere experience centers under changing face of the Ampere brand.

Last but not the least, probably as important is the focus on sustainable development and focusing on our ESG practices which you are going to continue to hear as we go forward . Last and final we have also touched upon the Ranipet plant progress, but it continues to advance. We will be informing you as and when we have more news to share. Thank you so much for your time. Thank you for your attention and your interest.

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

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Note: This transcript has been edited to improve readability.