

13<sup>th</sup> August, 2024

The Manager - Listing  
BSE Limited  
BSE Code: 501455

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

Dear Sir/Madam,

**Sub: Transcript of the quarterly earnings call for the quarter ended 30<sup>th</sup> June, 2024**

In furtherance to our letter dated 29<sup>th</sup> July, 2024, please find enclosed herewith the Transcript of the quarterly earnings call for the quarter ended 30<sup>th</sup> June, 2024. The transcript is also available on the Company's website at [www.greavescotton.com](http://www.greavescotton.com)

Kindly take the same on record.

Thanking You,

Yours faithfully,  
For Greaves Cotton Limited

Atindra Basu  
Group General Counsel & Company Secretary

Encl.: a/a

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**Greaves Cotton Limited**

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ENGINEERING | E-MOBILITY | RETAIL | FINANCE | TECHNOLOGIES

## Greaves Cotton Limited

### Q1 FY25 Earnings Conference Call

August 09, 2024

#### **Management Representatives:**

Nagesh Basavanhalli – Non-Executive Vice Chairman, GCL

Akhila Balachandar – CFO, GCL

Arup Basu – Managing Director, GCL

K. Vijaya Kumar – ED and CEO, GEMPL

Narasimha Jayakumar – CEO, Greaves Retail

Chandrasekar Thyagarajan – CFO, GEMPL

Atindra Basu – Group General Counsel & Company Secretary,  
GCL

**Moderator:** Ladies and gentlemen, good day and welcome to the Greaves Cotton's Q1 FY25 Earnings Conference Call.

We have with us today Mr. Nagesh Basavanhalli – Non-Executive Vice Chairman, GCL, Ms. Akhila Balachandar – CFO, GCL, Dr. Arup Basu – Managing Director, GCL, Mr. K. Vijaya Kumar – ED and CEO, GEMPL, Mr. Narasimha Jayakumar – CEO, Greaves Retail, Mr. Chandrasekar Thyagarajan – CFO, GEMPL, and Mr. Atindra Basu – Group General Counsel and Company Secretary of the Company.

We would like to begin the call with brief opening remarks from the Management, following which we will have the forum open for an interactive question and answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nagesh Basavanhalli. Thank you, and over to you, sir.

**Nagesh Basavanhalli:** Thank you. Good morning everybody. Hope everybody stays healthy. Welcome to the Greaves Cotton Q1 call this morning.

At the outset, let me reintroduce Greaves Cotton, the legacy Company that today caters to multiple businesses, multiple revenue stream, fuel agnostic in nature, spanning products and solutions in industries like automotive, non-auto, telecom and a lot of B2B customers.

We pride ourselves in terms of our ability to move people and move cargo and also empower lives and livelihood through our engineering solutions. A couple of years ago, we made our journey to be a B2B plus a B2C player and get closer to the consumer and extract lifecycle value. As part of that, some of our digital initiatives are well underway and management will talk about it.

In summary, we are an engineering house that engineers, designs, manufactures components in several industries, manufactures two-wheeler, three-wheeler and is also into post-purchase solutions like Greaves Retail (Greaves Care) as well as Greaves Finance.

With that let me hand it over to management Dr. Arup Basu who will talk about Greaves Engineering. Over to you, Arup.

**Arup Basu:** Thank you Nagesh, and good morning, ladies and gentlemen. My commentary will be on the engineering business, which comprises Greaves Engines and Excel.

We have started FY25 on a positive note with a revenue growth of 15% over the corresponding period last year. Both Greaves Engines and Excel performed well with the latter registering its highest ever first quarter revenue.

In recent years, our efforts have centered on building a comprehensive portfolio that serves a diverse range of sectors and categories. While we maintain our leadership

position in the engine segment, we are actively working to diversify our revenue streams beyond the engine and automotive sectors.

As I have mentioned in our previous calls, our vision is to create a future ready energy flexible portfolio. I am pleased to report that we are making steady progress towards this, strengthening our portfolio with products designed for the industrial, marine, energy and agricultural sectors.

Over the coming years, we are optimistic about seeing greater contributions from our Powertrain and Motion Control businesses. Additionally, we are developing higher horsepower generation solutions to meet the needs of specific growth segments such as data centers.

Within the internal combustion engine segment, we are also working on developing engines that use green fuels for both automotive and non-automotive applications.

In addition to diversifying our product mix, we are also widening our geographic footprint by expanding the share of exports and by entering suitable alliances to build a global yet local approach. We anticipate that export share will grow as our lines of business scale up with greater revenue contribution expected from the U.S. and EU regions in the coming years.

Going again to our Q1 FY25 performance, we saw strong results across both automotive and non-automotive segments. We introduced a range of cutting edge, robust and environmentally friendly CPCB-IV+ products during the quarter which received a positive response primarily driven by demand from infrastructure, reality and industrial segments. We are optimistic about the potential in this space in the backdrop of the new CPCB-IV+ regulations that are steering the industry towards a more sustainable trajectory.

During the quarter under review, another highlight that deserves to be mentioned is the equipping of Assam Inland Waterways with over 300 Greaves engines. During the quarter, our focused approach on improving efficiencies and better inventory management has also resulted in an improved working capital cycle for the business. Our emphasis will continue to be on innovation-led product portfolio renewal in the alternate fuels, electric components, and motion control areas.

Thank you. For the next commentary, I now hand over to my colleague, Narasimha Jayakumar. Over to you, Narasimha.

**N. Jayakumar:**

Thank you, Arup. Good morning, everyone. This is Narasimha Jayakumar, CEO of Greaves Retail.

We had a good start to the financial year with revenues of Rs. 148 crores for Q1, up 7% Y-on-Y. I would like to talk a little bit about the highlights of our first quarter. Our diversification into new business segments leveraging our core competencies is yielding results.

During the Quarter 1, we expanded our part lines, getting into two-wheeler multi-brand parts, electric vehicle parts, and construction equipment parts beyond our traditional three-wheeler parts. Specifically on the electric vehicle parts, we have a full range of motors, controllers, chargers, etc., and we have signed several new OEMs in Quarter 1, including one prominent player. Our construction equipment parts have now expanded fully to include the Excel portfolio catering to the domestic market in India.

Our Greaves Care outlets have expanded to 163. These are on a franchisee-owned, franchisee-operated model. They now service a full range of multiple brand vehicles, small commercial vehicles, which include electric three-wheelers and electric two-wheelers, and other small commercial vehicles.

Leveraging digital and digital technologies remain a key strategic focus area for us, and we continue to invest here. Our Greaves Upahar app, a mechanical loyalty program, which we launched in the previous quarter, has now scaled up substantially to include more than 7,000 scanning mechanics on a year-to-date basis.

We are very optimistic about Greaves Retail. We continue to be an asset-light cash-generating business and a high-ROCE business.

Now I would like to hand over to my colleague Vijaya Kumar – Chief Executive Officer of Greaves Electric Mobility Private Limited. Thank you.

**Vijaya Kumar:**

Thanks Narasimha. Very good morning, ladies and gentlemen. Thank you for joining us today on our earnings call.

I will briefly talk about the performance of Greaves Electric Mobility to begin with. We are very pleased with the way we have started the year. Our two-wheeler volumes have increased by 10% and our three-wheeler volumes by 19% quarter-on-quarter.

One of the highlights for the quarter under review was the introduction of Ampere Nexus. It is India's first high performance family scooter equipped with the safest LFP chemistry battery and hybrid swing arm with twin suspension starting at a very attractive price of Rs. 1,09,900 ex-showroom.

We are very pleased to say that it is designed, developed and manufactured entirely in India. We are also very pleased to report that the product has garnered a very positive response in terms of enquiries, in terms of bookings and it continues to hold the customer preference.

On the two-wheeler side, we continue to be among the top five players in the e-two-wheeler segment with a market share of 3.4% in Q1 of FY25. Furthermore, on the three-wheeler side, we have also revised Greaves Eltra City pricing very aggressively to an on-road price of Rs. 3,70,000 with our enhanced efficiency on our bill of material.

Let me talk a bit about our near-term objectives, so, we intend to capitalize on the highly fragmented L3E rickshaw business by leveraging on our pan-India network and synergies offered by our well-established value chain. We are looking to scale up meaningfully over the years within the L5 and our focus remains on Eltra, the electric three-wheeler which has a 10kWh battery and which delivers the highest mileage of 160 kilometers today in the industry. We are already working towards expanding our dealer network and enhancing our financing partnership in this category.

On the subsidy front, our three-wheelers, Eltra City Passenger and Eltra Cargo are already eligible under the MHI scheme and are receiving subsidies. We are very happy to share that MHI has communicated that our two-wheeler electric vehicles under Ampere brand are eligible to be tested by the relevant testing agencies for EMPS registration and any other future schemes of MHI and secure subsidies. This is happening as we talk and that is one of the good news, which we foresee for our coming quarter.

That concludes my opening remark, and I would like to now call upon our CFO – Akhila Balachandar to discuss the Financial Performance in detail. Over to you, Akhila. Thank you so much, ladies and gentlemen.

**Akhila Balachandar:** Thanks Vijaya. Good morning, everyone. I am delighted to share that we have started the year on a very positive note, delivering strong financial performance in this quarter.

Our consolidated revenue for Q1 stands at Rs. 640 crores.

On a standalone basis, Greaves Cotton saw a revenue growth of 12%, reaching Rs. 445 crores. Our recent acquisition of Excel has proved to be a value accretive deal, contributing Rs. 63 crores in revenue and achieving a growth of 13% year-on-year, with robust margins of approximately 28%.

Combining the performance of GCL and Excel, we witnessed exceptional financial results reflecting the success of our strategic efforts to diversify our product portfolio over the past few years. Both our engineering and retail businesses recorded impressive growth at 15% and 7%, respectively.

Our Electric Mobility segment reported a revenue of Rs. 127 crores, driven by a strong focus on new product launches and a clear path to profitability. In terms of profitability, our consolidated EBITDA reached Rs. 27 crores with PBT at Rs. 15 crores.

On a standalone basis, our EBITDA for the quarter was Rs. 50 crores compared to Rs. 45 crores in the same period last year, showing a year-on-year growth of 12% and resulting in healthy EBITDA margins of 11.3%.

As a combined entity, GCL and Excel achieved an EBITDA of Rs. 68 crores, with margins at a healthy 13.3%. Standalone EBITDA stands at Rs. 49 crores. Our commitment to improving margins has been accompanied by a focus on effective working capital management, ensuring that our ROCE remains extremely strong over 30%.

On the balance sheet front, we continue to maintain an almost zero-debt position with standalone cash of Rs. 550 crores, which will support our future expansion and investment plans.

As we look ahead, we remain steadfast in our commitment to growth and transformation. We are confident that our strong foundation and unraveling dedication to excellence will drive our success in the upcoming quarters and help us seize the exciting opportunities the future holds. We are also keeping a close watch on the current geopolitical situation and its potential impacts. Despite these external factors, we continue our internal efforts to enhance profitability.

With this, I open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Kunal Sharma from SP Capital.

**Kunal Sharma:** So, I have three set of questions. And first, congratulations on a good set of number. First, I wanted to know about the negligible loss that is there on the consolidated level, right. So, what drives the growth in the bottom line despite the lack of support from the PLI and government related scheme? So, what strategy has the Company

adopted and what would be the driver ahead to become profitable on a consolidated basis?

**Akhila Balachandar:** Thanks, Kunal, for the question. Over the last four quarters, we have taken this as a commitment to be on the journey of the path to profitability. Constantly and consistently our losses in the subsidiary have shrunk. At the same time, at Greaves Cotton, we have worked on our own commitment to improving the margins. If you take our journey from the last three to four years, we have now reached our pre-COVID levels of almost 11% to 13% of EBITDA margins. And this is a journey we keep continuing on. All our efforts at an internal level are to ensure that the subsidiary moves on a path to profitability and at a consolidated level. Therefore, we ensure that we will have far superior EBITDA results over a period of time.

**Kunal Sharma:** So, can we expect in the coming quarter, we can be profitable on a consolidated level?

**Akhila Balachandar:** Honestly, Kunal, as a corporate policy, we do not give future guidance. But let me assure you that this is the directive of our Board, and this is what the management team is fully committed to.

**Kunal Sharma:** Second question, during the quarter, there was something different we saw on a consolidated basis. We did way better on a sequential basis, which I can understand, thanks to e-mobility business, I guess. But on a standalone basis, we have de-grown sequentially. So, can you please throw some light on what goes behind the standalone numbers, which always used to be our good performance or our star performer till now?

**Akhila Balachandar:** Yes, essentially, there is some amount of cyclicity in our business, where Q3 and Q4 being the season always do much better. And therefore, it would be much better to see the growth on a year-on-year basis rather than a quarter-on-quarter basis. And if you look at the year-on-year performance, at a standalone level, we have grown 12%. At the same time, we have managed to improve our EBITDA also.

**Kunal Sharma:** And last question on the Excel segment, the margin has been contracted. And if I am not wrong, we are supposed to maintain the guidance of nearly 30% plus margin. So, it's a two-part question. First, what impacted during the quarter, which resulted in the margin contraction? And the second, are we like maintaining the guidance of 30% margin for Excel control linkage?

**Akhila Balachandar:** Two parts of your question and let me take it that way. On the revenue, if you remember, we took over this business in May 2023. And when we took over the business, the business was at a run rate of around Rs. 187 crores annually. We grew the business last year, and we exited roughly Rs. 264 crores. We have a very long-term plan for this Company, and we are working on those internally. In terms of quarter-on-quarter, if you take compared to Q1 last year, we have done extremely well. We have grown substantially. If you take sequential quarters, there has been a flat kind of a performance. And I think that's a blip and we will bounce back in the coming quarters. In terms of margin, there has been a change in the product mix. And this will happen over a period of time as we grow the business. But yes, we are committed to a 30% range in the long term.

**Kunal Sharma:** Oh, that's great. Okay then, that was it from my side.

**Moderator:** The next question is from the line of Subahu Sanghvi from Winshine Financial Services.

- Subahu Sanghvi:** My two questions are on EV only. The first question is about the distribution network. Actually, I am from Mumbai, and I am also a shareholder of the Company. And I had a very bad experience of reaching out to the dealers. It took me six days to reach the dealers because all the numbers were unresponsive, whatever be given on site or maybe got from the Company. So, I just want to understand what management is doing to review the distribution network? Because you can understand that a good distribution system is required to distribute the good product to sell the good product.
- Vijaya Kumar:** So, I regret the experience which you had with our product, and I understand you are from Mumbai. So, in the last, I would say, two years, we had issues with our distribution network, especially the dealer network where we had gone through a revamp. So, as a corrective process, we are re-establishing our complete distribution network predominantly in the larger cities and the centralized service backup which we are creating from here, we will be able to take it. All consumer complaints, we are handling it directly from here in terms of reaching out to customers, and we have been able in the last one quarter to bring down our consumer complaints by 95%, the way which we track it, whether it is service center-wise or at the customer-wise details which has been done. So, that has been one of our key strategies in terms of improving our response time to customers as well as to the dealers and that is showing results in terms of our growth in the first quarter results, which we have just published.
- Subahu Sanghvi:** Sir, the question was that when the prospective customer is not able to reach the distributors, how he will test drive the vehicles or anything? So, consumer complaint is secondary. Once he buys the product then the consumer complaint comes into the picture.
- Vijaya Kumar:** So, we have various actions whether it is a direct call center or the website. So, what I suggest, I will take your number and then I will reach out to you post this call and we will take it from there, if that is okay with you.
- Moderator:** The next question is from Zaki Nasser from Nasser Investment.
- Zaki Nasser:** First of all, let me congratulate the management on a good set of numbers like last quarter. Madam had said that quarter-on-quarter, we will see improvement. I think we have started seeing that ultimately. Sir, my first question would be on the Excel front. Now Excel consists of 10% of our business right now. I would want to know what is the headroom for growth on this and would this extend to factory floor automation and futuristic stuff like that?
- Arup Basu:** So, I think Excel has focused on certain niche areas in terms of specialty sub-assemblies. And I think the headroom for growth is quite substantive across the applications because at the end of the day, Excel's products are those five, six items with which one controls a vehicle or construction equipment. And they will always be relevant irrespective of the technology that keeps changing. That's point number one. In terms of manufacturing excellence and all the other aspects that you mentioned, they are equally applicable for Excel as in any other manufacturing Company. So the answer is yes.
- Zaki Nasser:** No, what I would want to know is, as factories get automated and things like robotic arms and all that come into play, would Excel's product be used there?
- Arup Basu:** Excel's products are used in vehicles in terms of the controls. So, accelerator, brake, clutch, steering wheel, gearbox and park brake, these are the items used to control any vehicle. So, that's their portfolio, and that will be relevant as all of these grows across all the applications.



**Zaki Nasser:** And sir, point number two, standalone, Greaves products are doing extremely well. I mean it's a robust P&L account, but it seems to be sucked in by the EV business. Now, is there a broad thought on the terminal value versus sustaining value of this EV business?

**Akhila Balachandar:** Look, the EV business is a very long-term business. We are extremely bullish on the prospects of this business and it's growing. There have been few blips that we have seen in the last year, and the management has stayed very focused and committed in working with the government and resolving all these issues. Parallely, at the internal level, we have been working on R&D, developing new products, strengthening our supply chain systems, improving our systems and processes, distribution network. We will have to refocus on that. I heard someone earlier in the call today. So, macro, we are very bullish on the EV story for India. And therefore, as a product portfolio, we are focused on both e-two-wheelers and e-three-wheelers. We are not restricting ourselves to one category. Two, at a Company level, we are focused on adding to our product range, both two-wheelers, three-wheelers. We are focused on improving our internal efficiencies and therefore on a path to profitability. Given both these, I think the boards of both Greaves Electric Mobility and Greaves Cotton, the parent Company, stay committed to this business. And therefore, I am not really sure about the terminal value point that you are raising. We, as a Company, the boards of both the companies, are committed to doing this business, is what I would like to share. I hope I answered your question.

**Zaki Nasser:** Would the EV business have a definitive turnaround in the next few quarters?

**Akhila Balachandar:** Sir, that is the agenda, and if you take the trajectory of the last four quarters, five quarters, the management, as I said, has been focused externally on resolving the issues that have been raised by MHI, and internally, on improving the product portfolio, improving the systems process, working on cost efficiencies, and the results are coming to show, right? But in terms of guidance, I would not be able to share any guidance.

**Moderator:** The next question is from Ritu Kumari from LK Investment.

**Ritu Kumari:** I have two questions. So, the first one is, how large do you believe the non-auto segment of the engineering business can become in the next two years. And what will drive this growth? If you could you just help me with this?

**Akhila Balachandar:** First, we will not be able to share any guidance. Second, let me just throw some light on the big picture. Essentially, the non-auto segment is fairly large, comprises of gensets and applications of the engines for other purposes like industrial engines. It could be marine and so on and so forth. In terms of the application of the gensets itself, the use cases are increasing. We have a lot of infrastructure projects. Railway has launched with ambitious plans and therefore there is a use case out there. We have the telecom towers. We have malls and commercial complexes. So, the use cases are growing and industries of each of the use cases are also growing parallely. There is also good potential for exports. Of course, we must be very careful and selective given the current geopolitical situation. So, I would like to share this at a macro level and therefore the industry we are playing in is fairly large. We have our own growth path charted, and we are progressing on the same.

**Moderator:** The next question is from Saket Kapoor from Kapoor Company.

**Saket Kapoor:** Firstly, if you could give some more color on the cables and the control lever segment. What are we alluding to in terms of the cable part and on the utilization level across the verticals of engine, EV and cable?

- Arup Basu:** So, on cables, essentially the product has three configurations. One is a rod-type cables. The second is push-pull cables. And the third are electronic sensor-based applications which does the same job. Like I mentioned a little while ago, the accelerator, brake, clutch, steering wheel, gear shift lever and park brake are the elements used for controlling a commercial vehicle or excavator or whatever it is. So, these undergo changes in technologies in terms of how one utilizes them. And that's the portfolio. So, all the sectors where these are used including say marine, for example, the boat throttles are also used to control the engine while you drive a boat. And the applications are across geographies because anywhere where these are used, and these are applied. So, that's really the Excel control linkage portfolio that we are talking about.
- Saket Kapoor:** Just to understand, engines and cables, we are selling the same to the same set of clients in the portfolio. The engines are sold along with the cables part. The clientele is same as you mentioned about the marine part also.
- Arup Basu:** So, it's the similar type of ecosystem. We don't necessarily have to sell all our items to the same customer, but overall they are complementary customer sets. So, all the large OEMs and anyone who is buying an engine potentially is a customer for this. Not all applications require push-pull cables. Many of the applications require just one cable which is a pull cable. So, the client, the customer base, particularly the OEM customer base has a lot of overlaps and complementarity which is where we get our synergy benefits. Globally there are, the aftermarket ecosystem works with all of them and that's the other area of synergies because the global large aftermarket ecosystem buys all the portfolio that we have and that's the other area of synergy we are looking at.
- Saket Kapoor:** Utilization levels, can you throw some light?
- Arup Basu:** We are working on a fairly high level of utilization in terms of if you see the kind of growth that we have had in the last couple of years. So, they are in the 70s and 80s percent I would say overall. Since this is a sub-assembly, there isn't a very clean measurement that can be done. We have also kept the manufacturing system modular so that we are able to respond quickly to spikes in demand without creating a huge overhead in terms of capacity.
- Moderator:** The next question is from Saurabh Arya from Oaklane Capital.
- Saurabh Arya:** My question is on the non-auto side, and it's related to CPCB-IV. Number one is, can you tell me what is the price hike which is happening with CPCB-IV? And number two, can you tell me what is the market share the Company has in this business?
- Arup Basu:** So, we will not want to discuss price hikes and price changes because that is quite dynamic and that is done customer to customer. By and large, because of the changes in regulations, there has been a certain increase in the overall cost structures, particularly given that the configuration of the new gensets have changed. That's one side. And in terms of market share, we have a relatively low market share as of now which is why we see significant headroom for growth in this area.
- Saurabh Arya:** But low means how much? Less than 10% or so?
- Arup Basu:** Yes, it's less than 10%.
- Saurabh Arya:** So, you are very low. But do you believe, I mean to say, there is a scope to increase this or it's a very competitive market that increasing would be very tough?

- Arup Basu:** There is space for growth, and it is a competitive market. And the industry itself is growing because all applications require a backup genset facility because we don't have that kind of reliability yet. There are technological changes also coming. There are also efforts to have lower carbon footprint options in terms of these. So, all taken together, the demand side is good because it's linked to the overall economic growth of India and any geography and linked to that, any industrial growth that's happening, whether it's in manufacturing, whether it's in retail, these requirements are there and like our CFO just mentioned, whether it's railways, telecom, all of them require backup power. So, the pie is growing, and I think what's happening is the companies with the good products will be able to garner better market share as we go forward and who are investing in R&D and innovation and technology like we are.
- Saurabh Arya:** But just one thing on CPCB-IV side, you have made changes till 500 only. So, we will not be able to sell 500 to 800 anymore because our product portfolio has gone through changes till 500 only, is that right?
- Arup Basu:** No, we have a continuous review on our portfolio in terms of KV ratings. So, we do have higher ratings, and it depends on what's the application and what's the customer ask. As I said, they could tailor it.
- Saurabh Arya:** CPCB-IV, you have 500 only.
- Arup Basu:** There is a change in the sizes that customers require and also the portfolio that we are offering. So, we are also continuously looking to build on our portfolio and look at the application and supplies.
- Saurabh Arya:** Maybe if I can just connect a question to this. So, were you selling between 500 and 750 MV earlier. What proportion of the overall non-auto business did this represent in gensets?
- Arup Basu:** We don't maintain this kind of granular breakup and share.
- Moderator:** The next question is from Rahil Shah from Crown Capital.
- Rahil Shah:** Just one question. For any of the businesses that Greaves Cotton has, let's say retail, finance technologies across all the businesses, do you have any plans for a demerge of any of the businesses in the future, particularly for the e-mobility since you are very bullish on the whole market and the growth prospects? So, any thoughts on this?
- Nagesh Basavanhalli:** I can take that question. So, I think as the Board has said in the past, this is a Board-related matter, they are exploring all options for both GEM and GFL, right, in terms of options. And as and when there is any other moment, we will explore that. But right now, the commitment is to continue to help build these businesses.
- Rahil Shah:** Nothing concrete as of now?
- Nagesh Basavanhalli:** Yes, as, and when it develops, we will answer that. Yes.
- Moderator:** The next question is from Nilesh Joshi from Prosperity Wealth Advisor.
- Nilesh Joshi:** Sir, my question is related to electric mobility. Generally, the engine business, retail business and Excels are making a good amount of profit. And in this quarter, particularly Q1, electric mobility has reduced the EBITDA loss. But surprisingly, the volume of the two-wheeler has increased by 9%, three-wheelers by 20%. But revenue grew only by 5% and Company succeed to reduce the EBITDA loss by 20%.

It means the cost has been reduced by much more than the 20% then it is possible and is the current costs sustainable for the next quarter also?

**Vijaya Kumar:** I will take that question. So, you are right actually. What we have done in the last I would say, couple of months, we have worked aggressively on our bill of material in terms of key components, and we have been able to make considerable inroads in terms of our costing of key components and products on one side. The other side is broadly we have looked at our cost, sort of a cost rationalization wherein we are getting closer to building our efficiencies much higher than where we were. Overall to answer your question, the answer is yes, we will be able to maintain these cost efficiency levels in the coming quarter and onwards to the year because these efficiencies will start showing better results as the numbers keep improving further from here.

**Nilesh Joshi:** Sir, but the revenue grew by 5%. It means that some of the cost benefit has been passed to the ultimate customer. Otherwise, because two-wheeler grew by 9%, three-wheeler by 20% and the cost of the three-wheeler is higher than the two-wheeler. So, have we passed the part of the cost benefit to the customer?

**Vijaya Kumar:** It depends. The answer is again yes and no. It depends on the product, and the segments and the competitive landscape of each product. Wherever we had our margins secured and competitive intensity high, we have passed on some portion of it. The other portions we have retained it. So, that is the complete and comprehensive work which is happening on all product and product portfolios.

**Nilesh Joshi:** So, can I say that because of the cost optimization, we could reduce the EBITDA loss?

**Vijaya Kumar:** Yes, the answer is yes and that it will continue, that effort will continue and next quarter you will see the results in the right direction and hence that is sustainable.

**Nilesh Joshi:** And my next question is related to the engine business. Sir, this quarter, the EBITDA margin is less than double digit. Earlier in the Quarter 2 and Quarter 3 of 2024, we have reported the double-digit EBITDA margin. Can we sustainably maintain a double-digit EBITDA margin for the engine business?

**Akhila Balachandar:** So, on the engine business, we have, again, if you take the last 4 years, we have been consistently working on improving our RMC, the cost and also the product mix. As a result, we have been able to improve our EBITDA margins. If I take even last year, the margin was 6.7%, this year, Quarter 1, we are at 9.1%, clearly a 3% plus improvement, correct. Now, this is a journey, there will be, on a quarterly basis, a little amount of ups and downs depending on product mix, cyclicity. Long range, I mean, as I said, if I were to look at the last 6 to 8 quarter journey, whether it is engines, whether it is retail and therefore GCL as an overall Company, we are now back at 11% to 13% and this is the range that we would target our EBITDA margins to stay at.

**Moderator:** The next question is from Anubhav Mukherjee from Prescient Capital.

**Anubhav Mukherjee:** I have a question on the participation in the subsidies scheme. What is happening on that front? Did we try to participate in the EMPS scheme? Because there was a news item that Revolt motors, earlier it was barred, but then subsequently paid the subsidy back and it was again allowed under the EMPS scheme. So, for us, have we paid back the earlier subsidy claims by the Government, and did we try to participate in the EMPS scheme? Some color on that will be useful.

- Vijaya Kumar:** I will take that question. So, as mentioned in my introductory speech in the beginning of the call, we are already on Eltra L5 three-wheeler, we are eligible for subsidy and on the two-wheeler side, we communicated that we have got the communication from MHI that we are eligible for the subsidy on the EMPS scheme and they have instructed the relevant testing agency to onboard us wherein we are waiting for the further communication within next week from the government.
- Anubhav Mukherjee:** So, we will be eligible from?
- Vijaya Kumar:** Yes, we are eligible. So, we have already got the confirmation and now it's in the government process.
- Moderator:** The next question is from Nishant Shah from Moneybee Investment.
- Nishant Shah:** So, just wanted to understand, can we assume that the spreads are higher in the three-wheeler business compared to the two-wheeler business, the spreads, and the margins?
- Vijaya Kumar:** As of today, yes, the three-wheeler margins are relatively better than the two-wheeler as we were eligible for the subsidy on the three-wheeler. But going forward, the outlook is quite, I mean, it will be quite similar and it's all on the positive side.
- Nishant Shah:** Because my question was, is the business planning to focus more on the three-wheeler side given that the margins are higher compared to the two-wheeler business? Because I see that your volumes, on a year-on-year basis, your two-wheeler volumes have reduced, but your three-wheelers have improved and your revenue for the e-mobility business has not reduced by a substantial amount. So, given that the three-wheeler has a higher margin potential, will the business be focusing more on the three-wheeler business? And what is the outlook of the industry as far as the three-wheeler industry is concerned?
- Vijaya Kumar:** So, you have multiple questions in the same question, but as an overview, overall, the organization will be focusing on profitable growth. As you have seen in terms of improvements on our negative EBITDA, that continuous focus is on. And so, it's a 360-degree approach. There is a work happening on cost. There is a work happening on bill of material, but ultimate focus will be where we can drive higher revenue and bottom line towards the organization.
- Nishant Shah:** And just one more question. Is there any Company guidance on being eligible for the FAME III subsidy? Anything around that news?
- Vijaya Kumar:** No, that's what I just answered that we have got written confirmation from MHI that we are eligible for the subsidy. This is happening as we talk. So, we are eligible for subsidy on the two-wheeler. Now we are on the last leg of the process of certification, which should happen next week.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.
- Nagesh Basavanhalli:** Thank you all for joining. Just to summarize, I think based on the questions, as you can imagine, there are multiple streams of revenue. Auto, non-auto, the target market has grown. Management is focusing on profitable growth. We also have adopted a fuel agnostic strategy, which means it's no longer a diesel engine Company. It's a diesel plus CNG plus electric. And that spans across components and vehicles and post-purchase solutions like retail and financing. That i.e., the entire

ecosystem. We thank you for your time and attention and your interest. Have a wonderful day. Thank you.

**Moderator:** Thank you very much. On behalf of Greaves Cotton, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

*Note: This transcript has been edited to improve readability.*

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