GREAVES

15th November, 2023

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 30th September, 2023

In furtherance to our letter dated 27th October, 2023, please find enclosed herewith the Transcript of the quarterly earnings call for the quarter ended 30th September, 2023.
The transcript is also available on the Company's website at www.greavescotton.com

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Greaves Cotton Limited

ATINDRA
NATH BASU

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Atindra Basu
Group General Counsel & Company Secretary

Encl.: a/a

Greaves Cotton Limited

Q2 FY24 Earnings Conference Call

November 8, 2023

Management Representatives:
Nagesh Basavanhalli – Non - Executive Vice Chairman, GCL
Dr. Arup Basu – Managing Director, GCL
Akhila Balachandar –CFO, GCL
Sanjay Behl – CEO, GEMPL
Narasimha Jayakumar – CEO, Greaves Retail
Chandrasekar Thyagarajan – CFO, GEMPL

Moderator: Ladies and gentlemen, good day and welcome to the Greaves Cotton Limited Q2-FY24 Earnings Conference Call.

From the management we have with us Mr. Nagesh Basavanahalli – Non-Executive Vice Chairman, GCL, Dr. Arup Basu – Managing Director, GCL, Mrs. Akhila Balachander –CFO, GCL, Mr. Sanjay Behl – CEO, GEMPL, Mr. Narasimha Jayakumar – CEO, Greaves Retail and Mr. Chandrashekhar Thyagarajan – CFO, GEMPL.

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 the operator by pressing '*' then '0' on your touch tone phone.

I now hand the conference over to Mr. Nagesh Basavanahalli – Non-Executive Vice Chairman of Greaves Cotton Limited.

Nagesh Basavanahalli: Good morning and welcome to the Q2 and H1 FY2024 Earnings Call for Greaves Cotton Limited. I trust you're all in good health and I'll hand it over to the respective business CEOs and the CFO for a more detailed review and discussion.

At a very high level, over the years we have been committed to innovation, growth, and I'm pleased to report that our journey continues. Greaves Cotton delivered a robust performance in the Q2 and H1 FY2024, reflecting the resilience and the diverse portfolio of our various business segments. Our strategic journey of being a key player in the full stack last mile mobility ecosystem continues with our businesses, whether they are Greaves Engineering, Electric Mobility, and Retail. Our mission and purpose of empowering millions of lives and livelihoods through sustainable mobility solutions continues.

So, now with that, let me hand it over to Dr. Arup Basu, who will discuss Greaves Engineering. Thank you.

Dr. Arup Basu: Good morning, ladies and gentlemen. This morning my commentary is on the performance of the B2B products portfolio that is engines and Excel Controlinkage. Accelerator, Brake, Clutch, Steering Wheel, Gear Shift, and Park Brake are the six components used to control any vehicle, either physically using rods or cables or electronically using sensors. Excel Controlinkage custom designs, develops and manufactures this entire product range of controls and therefore represents a natural fit to our portfolio.

We are making good progress on our ongoing program to build a future ready fuel agnostic product portfolio to gradually wean us from a dependence on demand for Diesel Engines. The

Engine and Genset portfolio are being augmented with greener fuel agnostic variants that can use CNG, Biodiesel, and Ethanol blended fuels. In addition, our Genset portfolio is fully CPCB 4+ compliant. Simultaneously, we are expanding our international business footprint which currently constitutes just over 10% of our revenues. In addition, we are also expanding the industry segments we serve, for example, Industrial Tools and Passenger Cars. Simultaneously, to enable this transformation, we are augmenting our prevailing domain depth in Mechanical Engineering with Mechatronics and Electronics. The latter will help accelerate the growth of Electronic sensor-based controls from Excel Controlinkage.

In Q2 FY24, the Engines business plus Excel Controlinkage delivered revenues of Rs. 381 crores that was 58% higher Y-o-Y and 28% higher Q-o-Q. The Engines business delivered revenues of Rs. 313 crores that was 30% higher Y-o-Y and 22% higher Q-o-Q. EBITDA improved to 10.5% in Q2 FY24 from 3.5% in Q2 FY23. Overall, the diversity of our customer segments, platform, technologies and application areas, combined with our brand Greaves that has stood the test of time for over a century and a half allows us to be optimistic about the future. Thank you.

Sanjay Behl: I'll take over from Arup. Thank you, Arup. I'm Sanjay Behl. I'm going to give you the commentary on Greaves Electric Mobility performance in Q2 FY2024.

Q2 was the first quarter of electric two-wheeler industry, which represented Q-o-Q decline after many quarters of steady growth. The industry recorded 181,000 registrations of Electric Scooters between July to September, as compared to 217,000 in April to June, which is Q1 of the current financial year. It is a decline Q-o-Q of about 17%. This was led partly by the reduction in FAME II subsidy incentive on electric scooters effective from 1st June of 2023 and partly by an adverse end consumer price impact owing to the AIS phase-II regulations which were implemented from 1st of April of 2023. However, amidst this slowdown in Electric 2-wheelers, Ampere continues to be amongst the top five Electric Scooters in India in terms of retail sales.

Furthermore, Ampere has strengthened its retail reach by launch on multiple new E-commerce platforms, business to government engagements, industry first introduction of Electric Scooters in an Electronic goods store like Croma and with pan India financing partners tie ups like Muthoot Finance. In fact, in addition to Muthoot Finance, Ampere has many new participating financial institutes like Bajaj Finserv, Hero Fincorp, Jana Small Financial Bank, so on and so forth. Also, Ampere has partnered with many leasing firms like RevFin, Alt Mobility, TWU for vehicle leasing to fleet customers.

The 3-wheeler market witnessed a very high 23% Q-o-Q growth in Q2 with both L3 and L5 formats growing in strong double digits. Notably Greaves Electric Mobility achieved a significant milestone by recording its highest ever quarterly sales in the 3-wheeler business with a 75% increase from the first quarter and 100% increase y-o-y basis. During Q2, we also unveiled our new Electric Cargo Vehicle Greaves Eltra in three variants, flatbed, pickup, and delivery van. Currently, this vehicle is under trial with many B2B customers and should be commercially available soon.

Now I want to cover the aspects of FAME-II subsidy matter. As of 30th September 2023, the company had an outstanding amount of Rs. 361.78 crores towards the subsidy receivable from Ministry of Heavy Industries of Government of India. This is under the same scheme. The amount includes Rs. 80.68 crores towards the claims pending to be filed with Ministry of Heavy Industries. During the six-month period ended 30th September 2023, the company received a notice from MHI dated 25th May 2023 proposing three things. First, recover the amount of subsidy paid to GEMPL, Greaves Electric Mobility since inception of the scheme amounting to Rs. 124.91 crores, along with the interest there on. Second, cancel the claims pending with the MHI for payment and third deregistering GEMPL from the above scheme. The company submitted its response to the aforesaid notice within the prescribed timelines.

The management believes that the company has complied with the scheme, duly considering and supported by the legal advice obtained. However, keeping in mind the interest of our consumers and without accepting any of the allegations, contentions or statements in the notice and without prejudice, the company on 27th October 2023 offered to amicably resolve and put a quieter to the matter and has refunded an amount of Rs. 139.98 crores towards subsidy reimbursed by MHI to-date, which as I mentioned was Rs. 124.91 crores and the interest thereon of Rs. 15.07 crores. The company awaits confirmation from the MHI for taking the necessary steps to resolve the matter. The amount refunded and the subsidy receivable of Rs. 337.34 crore is the net of provisions has already been provided for as an exceptional item in the statement during the current quarter and six months, which ended on 30th September 2023.

I now hand it over to Narsimha, who can take you through the Greaves Retail performance please.

Narasimha Jayakumar: Good morning, ladies and gentlemen. This is Narasimha Jayakumar. I'm the CEO of Greaves Retail, and I'm very excited to be here. Greaves Retail, as some of you are aware, is a leading multi fuel spares and services business that spans the entire lifecycle of an asset, which is basically a 3-wheeler, electric 3-wheeler or small commercial vehicle. The core proposition continues to be high vehicle up time and driving asset productivity. I am very pleased to say that Greaves Retail had a solid Q2, revenues were up 9% y-o-y at Rs. 146 crores. On a YTD basis, we touched Rs. 284.5 crores, up 12%. Profitability continues to be strong with EBITDA margins of 20% plus and the business continues to expand both domestically and exports for spare parts and services.

Exports of our multi brand spare parts has expanded to newer markets like Sri Lanka, Bangladesh and Africa and we witnessed very strong, robust growth for our multi brand 3-wheeler spare parts covering various fuel types. We're seeing very healthy growth there. On the domestic front, we expanded our mechanic loyalty program for Greaves's spares in North and Eastern India during the quarter. Our new Greaves Upahar app, which is the mechanic loyalty rewards program, has now over 20,000 registered mechanics covering 3-wheelers, small commercial vehicles and electric 3-wheelers. Last quarter, we launched our own range of batteries under the brand name of Greaves Power Raja for the L3 aftermarket, covering electric 3-wheelers both in the northern and eastern part of the country. We expanded our services footprint to add 44 more outlets for Greaves Care.

Overall, the business continues to be doing well and we remain committed to offering very strong vehicle up time, which is the core proposition of the business. Thank you.

Akhila Balachandra: Thanks Narasimha, and good morning everyone. This is Akhila Balachandar, CFO of Greaves Cotton. I'm happy to report our consolidated revenue of Rs. 727 crores for Q2 FY24 and Rs. 1,295 crores for H1 FY24. On a standalone basis for Q2 FY24, Greaves Cotton has reported a revenue of Rs. 459 crores. Excel, our new acquisition, reported a revenue of Rs. 68 crores and Electric Mobility reported a revenue of Rs. 207 crores. Greaves Engines and Greaves Retail both have delivered robust growth both Q-o-Q and on a Y-o-Y basis. For H1FY24, Greaves Cotton reported a revenue of Rs. 855 crores, up by 14% compared to last year and on a consolidated basis, H1 FY2024 revenue was Rs. 1,295 crores.

The good news is that the acquisition and integration of Excel into the Greaves fold, the revenues from the GCL plus Excel segment for H1 FY24 stands at Rs. 962 crores. This gives us a strong base to diversify and enrich our core product portfolio.

On the margins, GCL standalone EBITDA margins are now firmly in the double digits of 13.9%. And if I were to look at the GCL plus excel combined, the margin stands at a healthy 16.3%. This puts us on track to our historical trend of 13 plus percentage margins of pre COVID levels. Standalone operating PBT is at Rs. 62 crores and H1 FY24 the standalone business ROCE is at 38%. The cash conversion ratio of the company is more than 90% and that augers very well in terms of working capital management and also shows the strength that we are seeing in our legacy business today.

In terms of balance sheet strength, the company has almost zero debt and a consolidated net cash of Rs. 848 crores, which can be further used for expansion as we go forward.

One area where we saw a lot of pressure in the early part of last year was the overall commodity cycle and that led to an increase in the raw material cost for some of our products segments. I'm happy to note the commodity cycle softening is having a positive impact and as we go forward, we are expecting raw material prices and raw materials cost as a percentage of revenue to remain stable in the coming quarters. However, we are closely monitoring and evaluating the current geopolitical situation and its impact on a continuous basis.

Our Greaves Electric Mobility, given the regulatory challenges, reported subdued revenues of Rs. 207 crores and an EBITDA loss of Rs. 37 crores. As shared by Sanjay earlier, the current Electric Mobility results are without the impact of any subsidy starting 1st April this year. The amount refunded and the subsidy receivable have now been fully provided for as exceptional items in these results. With this, our consolidated EBITDA was Rs. 46 crores and the consolidated operating PBT was Rs. 40 crores. Overall, we saw strong and robust financial performance and that reflects the strength of the strategy that the company has initiated over the last couple of years. Thank you.

I would like to 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 Ashin from Equirus. Please go ahead.

Ashin: Thanks for the opportunity and congratulations for a decent set of numbers. My first question is regarding the standalone business. So, within the Engine side, we've seen very good growth during the quarter on the Engine business and also the profitability in the Engine business has improved significantly over the last few quarters. So, could you please give us more color on to that and how do we see this business going forward?

Sanjay Behl: Yes, the Engine business grew at about 22%. I'll ask Dr. Arup Basu to give a little more commentary on that.

Dr. Arup Basu: Essentially, we've been pursuing this fuel agnostic approach and expansion of the product portfolio to include multiple applications. So, the combination of these two is allowing us to expand our application segments from Automobile or Mobility solutions to other Engineering applications where you have Engines. The second leg is our increasing focus on international business as I mentioned and exports. The third is around the control on costs, which is embedded in our system. So, there is a continuous focus on making sure we utilize our assets as tightly as possible and maintain cost control and the supply chain focus to make sure that our raw material costs, etc. there is a significant focus on that, so two operational focus elements on productivity and costs and the other is expanding the product portfolio to use multiple applications and exports. Thank you.

Ashin: My next question is on the E-mobility side. So, given the fact that now E-3 wheeler is increasing as a percentage of our total E-mobility volumes, could you give us color on how is the profitability there and within the E-3 wheeler side if you could help us also give us a split in the E-rickshaw and E-auto, that would be helpful.

Sanjay Behl: Yes. So, in fact, we registered a growth in both L3 and L5 segment. L3 being the Electric rickshaw segment and L5 the Auto segment there. Both of them grew very, very strongly over the last quarter, the total sales, the volume we did was 4,706 between both the formats there, which is a 127% growth y-o-y and about 75% growth which is q-o-q. Of this close to about 3,000 numbers were Electric rickshaw and the balance was L5, and both had registered a pretty strong growth there.

Coming to your profitability question, our 3-wheeler business is very close to operating margin breakeven now and going forward with some growth on this number, we should be having a profitable kind of a margin on this business plan. Coming to Electric 2-wheeler as I think Akhila also mentioned, there was some challenges in terms of subsidy, but that chapter is behind us. Through the provisioning that we have done, we've closed the entire amount which has been provided in the balance sheet. Going forward with subsidy getting restored, we have been declaring EBITDA positive quarter. If you see Q4 of last financial year, we were a positive operating business in Electric 2-wheelers. So, with the subsidy getting restored, we are very hopeful that we will get back to our operating margins.

Ashin: Yes. And lastly on the Excel Controlinkage side, so this business is growing pretty strongly. Could you help us understand, is there any synergy of this business with our existing business and how do we see this business going ahead?

Arup Basu: As I mentioned in my opening comments, the product portfolio that they make are used for controlling the vehicles, now they can be construction vehicles or they can be trucks or whatever it is and that's the synergy because we work on the Engine side and the Engines need to be then controlled through levers, sensors, whatever it is. So, the control part is an intrinsic aspect of any prime mover whether that is IC Engine based or Electric. So, that's an intrinsic and natural adjacency to our product portfolio. Thanks.

Moderator: Thank you. The next question is from the line of Amy Pirani from JP Morgan. Please go ahead.

Amy Pirani: First of all, clarification on this subsidy issue, you have paid the government around Rs. 140 crores like you mentioned. The Rs. 360 crores which you mentioned is pending for as of the first half of this year, are you still trying to claim that, or you have given up that claim also with the government?

Sanjay Behl: Let me clarify. As I had actually mentioned in my commentary that we submitted the money without accepting any allegations and actually without prejudice. So, we do reserve our legal rights at this point of time. The decision whether we want to go for it or not, I think will be prospective and I don't want to really take on that at this stage.

Amy Pirani: And the vehicle that you're selling now starting Q3, are you still continuing to build that you will receive the FAME subsidy or right now you are selling without FAME subsidy for now?

Sanjay Behl: As I again mentioned there in my commentary that we are waiting confirmation from ministry for taking the necessary steps now to get back to portal now. So, I think as and when that happens, then we'll start billing it. Till then I think we will continue as we have continued in the first half of the year.

Amy Pirani: Okay, so the customers are getting the same subsidy for now in their pricing.

Sanjay Behl: Not yet. As I told you, this can only happen once we have withdrawal of the show cause notice and portal activation, which is yet to be confirmed. The date of that is yet to be confirmed to us. The moment it happens then the customers can avail subsidy. Till then, we're not passing any subsidy.

Amy Pirani: Anyway the subsidies have come down and going forward you have the newer launches. So, as we look into next year assuming a post subsidy world, how should we think about the profitability with the overall portfolio that you intend to have on the Electric 2-wheeler side?

Sanjay Behl: First, I want to just clarify that, we are neither getting subsidy nor we are charging any customer for the subsidy at this stage. So, it's been at the pricing excluding any subsidy incentive to the customer. Going forward, as we get the subsidy, as you know, it now has been brought down from Rs. 15,000 a kilowatt hour to Rs. 10,000. If you see our largest selling vehicle Magnus EX has got a 2.3 kilowatt battery. So, if you look at these two conditions that they have, one is 10,000 kilowatt per hour battery and the 15% of the ex-factory price, whichever is lower, is going to be subsidy. This then qualifies Magnus EX, our largest selling product to approximately Rs. 16,000 subsidy per vehicle. That Rs. 16,000 is then going to go partly into margin and partly probably we'll pass it on to the customer to make ourselves even more competitive and get back to some mobilizing our momentum and getting back to the double-digit share that we used to enjoy pre-stopping of the portal. So, that I think is yet to unfold there, but you can understand that at about the volume that we are doing, you can multiply by Rs. 16,000 per vehicle. Then we have high-speed vehicles where we can enjoy up to Rs. 20,000 to Rs. 22,000 incentive per vehicle. So, an average of that would be a very good indication of how much additional margin can accrue. And then we will use that partly to become even more competitive and mobilize our scale and partly of course, it will be a margin accretive incentive that we will do.

Amy Pirani: Understood. I appreciate that. But I was more thinking from the point of view of say, assuming that the FAME is anyways ending. I mean there is talk of FAME-III, we don't know yet, but assuming that the FAME is anyways ending by March 24. Given the newer high-speed vehicles that you have anyways unveiled, and you have mentioned in the presentation also, how should we think of profitability? And if you can just add, where do you stand on the PLI? Any of your vehicles are you trying to get them certified for PLI and what benefit could be next year?

Sanjay Behl: Yes. So, coming to FAME III, you're right. Currently there is no notification that we have on FAME III and the current timeline stipulated for FAME II to get over is 31st March 2024. So, we have about four and half months ahead of us, a little over four and half months for the subsidy to end. Now the announcement of city and high-speed scooters that you talked about, there are high-speed we have Primus and we already have mentioned in our investor deck, there is one more that we are planning to launch before the end of this financial year. And if you take into that, the subsidy FAME gets over, it gets over for everybody. So, it is still a level playing field and the overall level of the water is going to go up. Then we will have to see as to how much of Electric industry is able to absorb. But given the product's competitiveness, we are reasonably confident to get a fair share of the high-speed market even without subsidy because it is going to be level playing field versus other players. So, we should be hoping to get the rightful share of the high-speed segment of the market.

We believe that if subsidy goes away, FAME III, City speed will become a little more prominent given the price factor as you understand and high-speed will probably shrink a little bit of a segment. But within that I think we will be extremely competitive. So, that's what we believe.

The second part about PLI, we are not part of the PLI at this point of time. There are two kinds of PLIs, as you know, one of the PLIs as and when it kicks in, one is cell PLI, advanced cell chemistry PLI and one is a component PLI. As and when it kicks in there is a stipulation as per PLI policy that part of the benefit has to be passed on to OEMs and we will qualify for that. So, we will take as and when that benefit really starts coming in.

Amy Pirani: But your own vehicle, you're saying you're not trying to get them certified for PLI, like you're as an OEM yourself of the vehicles.

Sanjay Behl: No, PLI is actually an eligibility where you have to apply to the government policy to get that. So, we are not part of that kind yet.

Amy Pirani: Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Pramod Amte from Incred. Please go ahead.

Pramod Amte: My first question is with regard to the 3-wheelers, when you say operating margin, is it EBITDA margins, or just to clarify, profitable?

Sanjay Behl: For 3-wheelers, I'm talking about operating margin to start with and then of course, there will be PBT which will be break even.

Pramod Amte: The operating margin as per your definition is EBITDA or gross margin? Just to clarify.

Sanjay Behl: Operating margin, I'm talking about EBITDA margin.

Pramod Amte: The second question related to the same is, if you look at 3-wheeler and 2-wheeler, you are one of the few guys who operate in both the spaces. I wanted to understand considering the position where you are, will you be able to make operating margins much faster in 3-wheelers.

Can you tell us something about the competitive intensity and technology? Is it better there in 3-wheelers and hence it is relatively faster and possible to accretive on the margin front as compared to 2-wheelers? And also, second one is, are there any synergies you have been able to draw from 2-wheelers to 3-wheelers and hence that cost optimization has also played out for you to early achieve those given points on a lower volume?

Sanjay Behl: Let me first come to your first question in terms of 3-wheelers. 3-wheeler intrinsically has been the strength of Greaves as a group. In fact, the legacy of the entire Engineering excellence actually comes from the three-wheeler province that the group has demonstrated. Arup did talk about the entire power train and how it comes to really mobilize any kind of a 3-wheeler on the road so. Coming from there, our 3-wheeler intrinsically has got a stronger profit margin because we have a portfolio of diesel, CNG, and emerging of Electric. So, we have an intrinsically stronger margin in ICE 3-wheelers that we are currently marketing through MLR Auto, that's the subsidiary of Greaves Electric Mobility. I'll come to the Electric rickshaw a little later.

The second part of Electric technology you talked about of Electric Autos, Electric L5, we just unveiled the Electric cargo vehicle called Greaves Eltra, which on Electric power train technology is superior to any other competitor that is on the Indian roads there. It has a range of over 100 kilometers to a single charge. It's got the ability for full payload of over 500 kgs to do a 12 degrees gradient kind of a slope. It's the first fully IoT connected cargo Electric 3-wheeler vehicle on the road. So, with technology we benefit from that.

Coming to the second part of your question about synergies between 2 and 3-wheelers, there is a tremendous synergy that we get both in terms of backend and also in terms of front end. In terms of backend there is a dramatic synergy in Engineering design and the supply chain sourcing which really starts coming in. It's not just the parts commonality or platform commonality. It's purely in terms of the resource and the skill base we have in our human talent, I think it's a great synergy we get. Yes, there are some other design synergies, data, for example, HMI clusters, Batteries, some of these are other synergies that we have started already getting some early benefits from as we start launching our 3-wheeler business.

Coming to Electric rickshaw business, which is the other part of our business there, there again we are operatively strong in terms of our ability to one, in terms of our margins and I'm talking about EBITDA not gross you know, EBITDA margins there and there also we are working towards making sure that our Electric rickshaw is one of the most reliable, trustworthy and safe Electric rickshaws on Indian roads. And that's the kind of a journey we are on and there too as the same synergies from our 2 and 3-wheeler, the other L5 business do spill over dramatically, but I can take any specific pointer if you want to have.

Pramod Amte: As a follow up, the reason to ask this synergy is the largest cost component which is battery seems to be of different nature and Kilowatt So, how do you derive that by sourcing from same vendor or actually what does it go at the back end?

Sanjay Behl: There are two things in the battery. One is the cell and the second is really the assembled battery. So, we are looking at convergence as we go forward as we are building scale and we're building more products in our portfolio. Till about last year, we had just Magnus EX and Zeal EX, just the two products. Now we have Primus added on. We have just launched ELTRA cargo vehicle. We are about to introduce passenger as we go forward there. Clearly the point you made, both in terms of cell procurement and in terms batteries and it's not too different actually. It's just a matter of basically modularity of a battery moving from 2 kilowatt to probably 10 kilowatt for a 3-wheeler kind of a drive power drain that it needs. So, yes, we are going to be converging and you will see in the next few quarters of convergence happening both in terms of cell and the battery assembly going forward over the next one to two years, you'll see that happening.

Pramod Amte: Thanks. So, one thing which if you can address which missed out was the competitive intensity in 2-wheeler vs 3-wheeler.

Sanjay Behl: The competitive intensity in either of the markets it's fairly well established. It's like both personal and shared ability have been in India for very long time and both of them have fairly strong players and India's position even in the global roadmap has been fairly strong both in 2-wheelers and 3-wheelers there. It just happens that in 2-wheelers if you just start counting the number of players both domestic and international, and the EV journey to that extent has been a little more pronounced than in 3-wheeler at this point of time and 2-wheelers in terms of its Electric journey started about three to four years, a little ahead of the 3-wheeler market. So, that may be the only difference. But at this point of time, just to give you one data point, we will probably have close to about three quarters of a million Electric 3-wheelers coming onto Indian roads, which is not very different than a 2-wheeler numbers.

So, in terms of the growth gradients right now Electric 3-wheelers are actually accelerating even faster. And I did give you the numbers of quarter and quarter 23% growth that the industry got. In fact, Electric L5 had 56% Q-o-Q growth which is the Q2 over Q1. So, overall, in terms of competitive intensity, while on the paper it looks 2-wheeler is a little high, but I would say that both are equally competitively intense and I think that's a very welcome thing because overall industry moves faster, the ecosystem develops faster, the supply chain comes very, very quickly there. I think this is a very good healthy competition which benefits customers at the end of the day. So, I think it's very welcome in both industries.

Moderator: Thank you. The next question is from the line of Siddhanth Sanjay Shah from KVS. Please go ahead.

Siddhanth Shah: I just wanted to sort of circle back on the exciting announcement that you're sort of released to the rest of the shareholders about Abdullatif Jameel and their investment into Greaves, Electric Mobility. And since their sort of investment has been around a year and a half, I think there is not a lot of information regarding the potential synergies going forward. So, for the benefit of Greaves shareholders, can you spend some time throwing some light on the last one year? Since the investment was made, how have we evolved as a company by having them not only as a financial partner, but also as a strategic partner on board?

Nagesh: As you alluded, ALJ came in as a strategic investor more than about 15 months ago, June of last year to be precise, right? They are a global distributor around in 30 plus countries bring in international depth, have worked with other EV companies like Rivian, which went through its own startup phase, etc So, clearly, they are valuable members of the board and help our management from time to time. So, they are a minority investor. They are a valuable addition to our extended team, and I think as Sanjay and the team go international, I think they are going to be even more valuable given their international experience.

Siddhanth Shah: Got it. So, the distribution capabilities are well understood and appreciated and hopefully the management would be kind enough to sort of lay out a road map for expanding our export sort of mix. But I was reading an interview given by Hassan Jameel and you sort of mentioned about how their mobility strategy has three core pillars. And out of that, their first pillar sort of revolved around design and it seems like over the last one year or year and a half, we've been sort of making that, or forgive my lack of ignorance on the timeline, but it seems like our key priority also revolves more around product and tech, and sort of having them on board have we seen any advancements on the same or can you spend some light as to just explaining a little bit about what advancements have been made on the tech and product side on the Electric Mobility piece of business? Thanks.

Nagesh: Yes. So, I think that's a good point. If some of you were at our Auto Expo stall where we unveiled a series of products designed in India and Engineered and designed by our stylist. So, we have an in-house design styling team and an in-house infotainment and a cluster team. So, a lot of the design elements, the product development collectively, but the entire think tank led by the management team and supported by the board, right. I think it's well on its way. I will also request Mr. Behl to add.

Sanjay Behl: Just to get into a specific question you asked on design, as Nagesh mentioned, in Auto Expo we had unveiled the core design theme and the philosophy for both our 2-wheelers and 3-wheelers embedded into arctic turn inspiration. This is the Norwegian bird we talked about and that was to really slow into our design ethos for all our products there, that is, as you rightly said, some of the investor inputs have already been taken in and from the ALJ team there and both of us have co-developed it in the in-house, what we call Greaves Design Studio.

Now that product, the first real implementation of that is coming up actually part of investor deck is going to be on the NX platform that you see as part of our presentation. So, that will be the full embodiment of the design ethos that are started now taking shape of all the Greaves electric mobility products. And going forward there is going to be a lot more platform convergence that you will start seeing not just within the different segments of 2-wheelers from low speed, city speed and high-speed, but also within the 3-wheeler businesses there and as and when I think those are ready, I think we'll share the road map with you.

Moderator: Thank you. The next question is from the line of Sonal from Prescient Investment Management. Please go ahead.

Sonal: Sir, this is with regard to the 2-wheeler market. Just wanted to understand at this point in time, maybe October, November and maybe take a reference point of our 2-wheeler Primus, two 450 model for them and Ola S1, just wanted to understand that what is the difference in let's say the ex-showroom price or net on road price between us and them? Is it largely the subsidy that's the first question. And this is linked to the numbers on the ground what we're seeing on the Vahan dashboard, our numbers have come down significantly, while the numbers for the other are reasonably up. Just wanted to understand like is this just pricing, is this product specification and as somebody else in the call was asking earlier that maybe when the next round of FAME subsidy come, is this gap going to diminish over time? How do you see this market playing out because otherwise the product doesn't seem to be viable at the operating level, given how the margins we're talking about, just want to understand where are we actually in the market right now as we see speak?

Sanjay Behl: We are amongst the top five Electric 2-wheelers in the country at this stage and I'll take all parts of the question pretty quickly. So, we are at about a 6.3% market share of Electric 2-wheeler in Q2. Now you rightly said that compared to last year, which was about 12%, this has come down, but there has been also an explanation to that in the last six months where we have not accounted for any subsidy. We have not availed any subsidy from the Government, and we have not really been able to pass it down to the customers. So, that has created an asymmetrical competition versus some of the other players who have had higher kilowatt batteries like Ola you talked about or some of our competitors with 3 kilowatts, 4 kilowatt batteries who have enjoyed a little higher subsidy. And with an asymmetrical competition where we were not availing it and they were availing it; the difference only went up. So, this is a momentary kind of a blip is what I would like to believe that we've seen in the first half and this should start recovering as we get normalized to the subsidy, whether it's FAME II or whether everything goes away and it becomes a level playing field or if FAME III has to come then of course, if Greaves is part of it, so that is a temporary blip. And I think that that's the way you should also look at it.

Coming to the overall segmental thing versus the sources of growth. There are two sources of growth for Electric 2-wheeler, if you include motorcycles or mopeds. Also, one source of growth is that if a customer is wanting a second vehicle in the home or an existing ICE customer who is already a hot prospect, the second is a first-time mobility user. So, it's the first vehicle which takes into account. These are the two large sources of grow. For the person who's taking a second vehicle who's already got an ICE alternative, TCO and value probably becomes a little more kind of an important thing, and hence we are finding a lot more Electric 2-wheeler getting into those homes. For a first-time user who's coming into this category, it is important that FAME subsidy was able to provide that entry price kind of competitiveness to EV versus ICE options there. And with that subsidy reducing, we're already seeing some impact on the market and you rightly there that if your customer is going to walk in, if he's looking at any alternative of two seats, he's getting at Rs. 80,000, why will he pay Rs. 1,00,000 or Rs. 1,10,000 for an entry level similar spread in the Electric 2-wheeler. Yes. And hence the difference that has come now come up and that led to some slowdown in the market.

Going forward we believe that the Electronic prices really, which is largely part of RMC coming down, we believe that this prices along with some subsidy incentive continues will continue to get equated with the ICE alternatives and we will even have the second source of growth we can get into that. So, this is where the overall market is, and this is where our position is. If you have any other questions, then I can answer that.

Sonal: Just short on this, let's say just on the mathematical side of it, if there is no subsidy, the price of all these products should be basically comparable in the market. This is what I presume, is it should be? That is how it is.

Sanjay Behl: No. Amongst the EVs it will become parity. If there is no change through all the Electric 2-wheeler will not get FAME III but versus ICE, there is going to be a delta of about 20% to 25% entry price levels. But at a TCO level it is different. The total cost of ownership is a very different concept altogether. In total cost of ownership, even without subsidy an Electric 2-wheeler is far better. It's close to about Rs. 2.70, paisa per kilometer versus Rs. 3.30 to Rs. 3.40 per kilometer. That's the kind of equation there. So, it's still about 20% - 30% more comparatively.

Moderator: Thank you. Next question is from Rishikesh from Robo Capital. Please go ahead.

Rishikesh: Thank you for the opportunity. So, my first question is in regard to the EBITDA margins for E-mobility business. So, if you could comment, how do you see this in the coming quarters and what is the broad trajectory for the next one or two years?

Sanjay Behl: Overall EBITDA margins, if you look at the quarter four of last financial year, we were profitable in 2-wheelers and we had a marginal negative in our 3-wheeler. Going forward, at this point of time, I don't want to speculate there, but we are coming very close to operating margin break even in our 3-wheeler business. And 2-wheeler continues to be impacted by subsidy, as and when the subsidy gets regularized and if it gets regularized, we will be coming to unit economics positive of even 2-wheeler business.

Rishikesh: And regarding our GCL plus Excel, the other part of the business, the margins that we're doing currently, fair to say they are sustainable?

Akhila: So, basically what I would like to state here is that over the last eight quarters, we have been on this transformation journey. A few things that we've really focused on is the product portfolio enrichment like Arup had mentioned earlier, focusing a bit more on exports and this is something we are working on, cost reduction, commodity and obviously the benefit of the commodity pricing is coming to us. So, given all this and the continued focus on this, we would hope that all this helps us to sustain these margins at these levels. I hope that answers your question.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. Nagesh Basavanhalli for closing comments. Thank you and over to you, sir.

Nagesh: Thank you all for attending. just giving a quick summary here, our journey that we started, when during the COVID era, we took out costs and the cost journey continues like Dr. Basu was talking about and then the operating margin improvements are visible. Our journey on a fuel agnostic path, which was an end to end diesel plus, CNG plus Electric continues. Our journey on being a fuel agnostic player in addition and also looking at forward-looking skill sets i.e., Mechanical to Mechatronics, to Electronics and Sensor continues. So, thank you all for your attention and happy to take questions offline. Our management team will be ready and able to answer questions if you have additional questions since we had a paucity of time. Thank you. again, have a great day. Thank you very much.

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Note: This transcript has been edited to improve readability.

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