

**CMP: INR 166**

**Rating: Accumulate**

**Target Price: INR 192**

**Stock Info**

BSE	501455
NSE	GREAVESCOT
Bloomberg	GRV IN
Reuters	GRVL.BO
Sector	Industrial Machinery
Face Value (INR)	2
Equity Capital (INR mn)	464
Mkt Cap (INR mn)	31,157
52w H/L (INR)	165/ 118
Avg Yearly Vol (in 000')	1503

**Shareholding Pattern %**

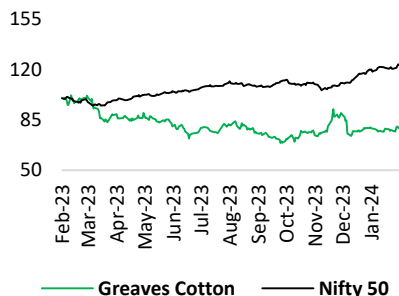
(As on Dec, 2023)

Promoters	56.0
FII	3.18
DII	3.43
Public & Others	36.1

**Stock Performance (%)**

	1m	3m	12m
Greaves Cotton	8.4	26.6	20.7
Nifty 50	1.1	12.3	21.7

**Greaves Vs Nifty**



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Greaves Cotton Ltd (GCL) reported a strong set of numbers in Q3FY24 Strong NosGCL reported numbers, Q3FY24 revenue stood at INR 4,428 Mn ( up 21.2% YoY/ down 3.4% QoQ); above our estimates of INR 4,150 Mn. The growth led by the Engine (+21.3 YoY/-2.8% QoQ) and EV (+3.7% YoY/-26.7%)Gross Profit stood at INR 1,464 Mn (+31.5% YoY/+2.3% QoQ); above our estimates of INR 1,255 Mn. Gross margins expanded by 258bps YoY (up by 186bps QoQ) to 33.1% vs 30.5% in Q3FY24.EBITDA stood at INR 671 Mn (+29.8% YoY/1.7% QoQ) ; below our estimates of INR 466 Mn. EBITDA margin expanded by 67bps YoY (down by -123 bps QoQ) to 19.8% below our estimates of 19.9%.PAT stood at INR 273 Mn (+220.3% YoY/-29% QoQ); above our estimates of INR 235 Mn. PAT margin expanded by 1231 bps YoY and down by 711 bps QoQ to 19.8% in Q3FY24 vs to 26.9% vs in Q2FY24.

**Investment Rationale**

**Excel Control linkage: Robust Q3FY24 Performance and Optimistic Future Outlook:** Excel Control linkage achieved an impressive operating profit margin of 27.5% in Q3 FY24, generating revenues amounting to INR 740 Mn. Amidst the prevailing tailwinds in the Indian economy, optimism for the future is fueled by the expansion of global customer base, the diversity of platform technologies, and application areas. The strong reputation associated with brand, Greaves, further adds to positive outlook.

**Ampere's Electric Mobility Triumph: Impressive Growth, New NXG Scooter, and Pioneering 5,100km Drive:** 3W business surge 37% YoY, L5 grows 94%. ELTRA Cargo is subsidized & listed on Live Portal. Certified Electric Passenger 3W, Map Portal listing soon. Confident in retail uptake. Despite the QoQ volume dip, registrations are up 9%. Ampere stays top 5 in India's e-scooter market. Upcoming NXG scooter, high-speed, fully connected, in-house design, manufactured at EV Mega site. Currently on 5,100km Kashmir to Kanyakumari drive to showcase power performance. Positive response in extreme conditions. Committed to launching new products for continued profitable growth.

**Expanding EV Product Range, Digital Innovation, and Robust Network Growth:** Expanded EV product range, launched Greaves Care app. Growing distribution in tier-II, III, IV cities. Retail network, 9,300 retailers, 250 stockists, 130+ distributors, 21,000+ mechanics. Greaves Upahar app strengthens connections. Asset-light business, ROCE >100% - Exciting times.

**Outlook & Valuation**

We believe in strong traction in e-mobility. Further, management is strategically looking to expand both in the B2B and B2C businesses and is looking to play on multiple price points in the E2W space, as the company is expected to expand its E2W portfolio. Successful performances in traditional and e-mobility businesses, coupled with robust profitability and strategic shifts at Greaves Retail, reinforce the trajectory for sustained growth. Despite challenges like the absence of PLI benefits, our prudent financial management, and the positive effects of the softening commodity cycle contribute to the company's stability and resilience. However, the recent subsidy removal, leading to increased vehicle prices, raises immediate concerns about the short-term impact. **The company remains committed to launching new products and variants, anticipating sustained profitable growth in the upcoming quarters. We have valued the standalone business at 5x its EBITDA of INR 3,702 Mn, Ampere's business at FY26E P/sales at 1.5x, yielding INR 71 per share and Excel Control linkage business at FY26E P/sales at 1.5x, yielding INR 1.9. Our SOTP valuation yields a fair value of INR 192 per share. We upgrade our rating on the stock to Accumulate from Hold earlier.**

**Exhibit 1: Financial Performance**

YE	March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	EV/EBITDA	P/E (x)
FY23		15,498	1,514	1,151	5.0	9.77%	21.44	33.3
FY24E		19,392	2,637	3,307	14.3	13.60%	8.9	11.6
FY25E		22,816	3,217	3,759	16.3	14.10%	6.07	10.2
FY26E		25,886	3,702	4,213	18.2	14.30%	4.09	9.1

Source: Arihant Research, Company Filings

### **Greaves Cotton Q3FY24 Concall KTAs**

**The company remains committed to launching new products and variants, anticipating sustained profitable growth in the upcoming quarters. Low single-digit growth trend observed in Q3FY24**

#### **Grieves Retail**

Asset-light, high RoC business reinforces aftermarket presence, aligning with the expansion goals; enduring success is anchored in capability building, value proposition, and meeting diverse customer needs. Retail uptake for the EV 3w, both cargo and PV, began this month, signaling growth.

#### **Export**

Exports' share increased to 15% of revenues in Q3FY24, showcasing a strategic focus on global market expansion.

#### **Excel Control Linkage**

The integration with Excel Control Linkage progresses to cross-selling products and services, enhancing synergies between the entities.

#### **Grieves Engineering**

Achieved an operating profit margin of 15.5% in Q3FY24, a significant improvement from 5.5% in Q3FY 23 and 14.5% in Q2 FY 24.

#### **Engine**

The operating profit margin improved to 12.6% in Q3FY24 on revenues of 3010 Mn, compared to 5.5% in Q3FY23 and 10.5% in Q2FY24.

#### **EV**

- Despite an overall volume decline, Ampere registrations increased by 9% in Q3, securing a position among India's top five EV.
- The eagerly awaited NXG scooter, an in-house-designed high-speed and fully connected model, is set to launch, featuring advanced software and a bright touchscreen.
- The unprecedented 5100-kilometer Kashmir to Kanyakumari Drive by an electric vehicle has received positive responses halfway through, showcasing the power and performance of the NXG scooter.
- Developing EV aftermarket parts for the e-rickshaw segment, encompassing motors, controllers, chargers, DCDC converters, etc.
- Balancing growth and profitability in EVs, new scooter maintains positive unit economics with competitive pricing amid globally softening sell prices.
- Greeves EM diversifies with electric two and 3w across segments, including slow, city, and high-speed models (Rio, Magnus Ex, Primus, NXT), serving B2C and B2B markets, with upcoming launches of electric cargo and passenger three-wheelers.

#### **Distribution**

The company has a retail network with about 9300 retailers, 250 specialist sockets for EV parts, 130+ distributors, and engagement with over 21,000 mechanics nationwide.

#### **RM**

Positive impact from the softening commodity cycle; anticipating stable raw material prices and costs as a percentage of revenue in upcoming quarters.

#### **FAME**

Subsidy refunded to MHI on 27 October, flagship scooter Magnus Ex recertified for FAME 2 eligibility in December, awaiting MHI's approval for other models to be registered and regularized on the FAME scheme.

#### **Nepal**

Sent 80 Primus vehicles to Nepal Q2FY24, with one of the largest dealers in Kathmandu; 20 scooters already retailed in the past four to six weeks, expecting continued growth. Competitive pricing in Nepal currency equivalent.

**Exhibit 2: Quarterly Performance**

INR Mn (Standalone)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
Net Revenue	4,428	4,586	3,653	-3.4%	21.2%
Material Cost	2,964	3,155	2,539	-6.1%	16.7%
Gross Profit	1,464	1,431	1,114	2.3%	31.5%
Gross Margin	33.1%	31.2%	30.5%	186bps	258bps
Employee cost	357	351	275	1.7%	29.8%
Other Expenses	437	445	450	-1.9%	-2.9%
EBITDA	671	636	389	5.5%	72.3%
EBITDA margin %	15.2%	13.9%	10.7%	129bps	449bps
Other Income	93	84	83	10.2%	11.3%
Depreciation	105	97	92	8.6%	13.9%
EBIT	658	623	380	5.7%	73.2%
EBIT Margin	14.9%	13.6%	10.4%	129bps	446bps
Finance cost	6	3	5	67.6%	11.8%
Exceptional Item	472	918	-7	-48.6%	-
PBT	1,124.3	1,537.7	368.3	-26.9%	205.3%
Tax Expense	247	303	95	-18.4%	161.7%
Effective tax rate %	22.0%	19.7%	25.7%	228bps	-366bps
Reported Net Profit	877.0	1,234.5	273.8	-29.0%	220.3%
Net margin %	19.8%	26.9%	7.5%	-711bps	1231bps
Reported EPS (INR)	3.78	5.32	1.17	-28.9%	223.1%
<b>Segment Revenue</b>	<b>Q3FY24</b>	<b>Q2FY24</b>	<b>Q3FY23</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
Engines	4,027	4,142	3,321	-2.8%	21.3%
Electric Mobility	1,468	2,003	1,415	-26.7%	3.7%
Cables & Control Levers	738	677	-	8.9%	-
Others	421	444	399	-5.2%	5.6%

Source: Arianth Research, Company Filings

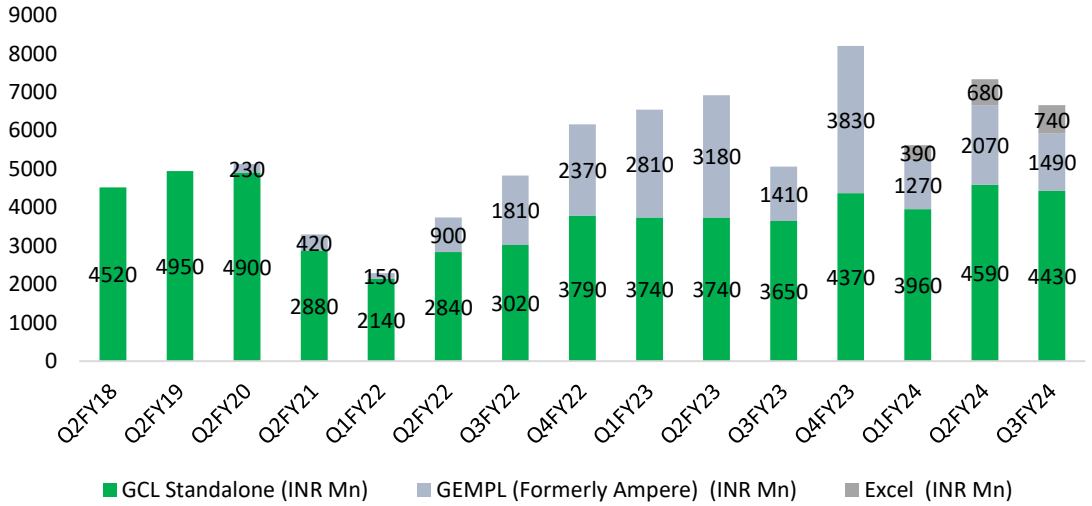
Segment Volume	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
<b>Engines</b>					
Auto	24,735	24,968	18,327	-0.9%	35.0%
Non-Auto	9,992	11,199	8,585	-10.8%	16.4%
<b>Engines*</b>	<b>34,727</b>	<b>36,167</b>	<b>26,912</b>	<b>-4.0%</b>	<b>29.0%</b>
E-2W	10,464	15,616	12,160	-33.0%	-13.9%
E-3W	3,633	4,706	1,980	-22.8%	83.5%
<b>Electric Mobility</b>	<b>14,097</b>	<b>20,322</b>	<b>14,140</b>	<b>-30.6%</b>	<b>-0.3%</b>

**Exhibit 3: SOTP**

Valuations INR Mn	SOTP			
	Basis of Valuation	Multiple	Total Value in Mn	FY26E
EV/EBITDA (x)				5.0
EBITDA				3702
EV				18508
Debt				-
Cash				9389
Market Cap				27898
No shares				231
<b>Value/Share (INR)</b>				<b>120.7</b>
Greaves Stake Valuation		FY26E sales estimate	11,897	
<b>Ampere Target Price (INR) (100% stake) Bestways</b>	P/Sales	1.5	<b>17846</b>	
<b>Less: Contigent refund provisioning (INR Mn)</b>	<b>1,400</b>		<b>16446</b>	<b>71</b>
Excel				
<b>Controlinkage ( 100% stake) FY26 sales Estimate</b>	P/Sales	1.5	<b>430</b>	<b>1.9</b>
<b>Greaves Target (INR)</b>				<b>192</b>
CMP (INR)				166
<b>Upside (%)</b>				<b>15.7%</b>

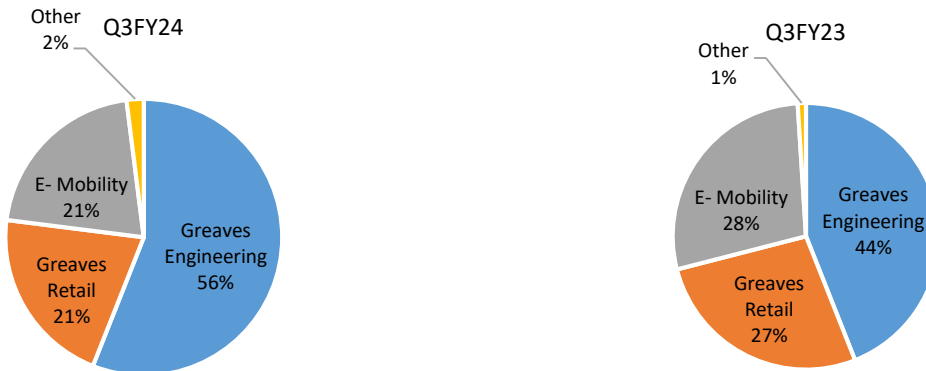
Source: Arianth Research, Company Filings

Exhibit 4 Regulatory pressures impacted EV revenues in Q3FY24



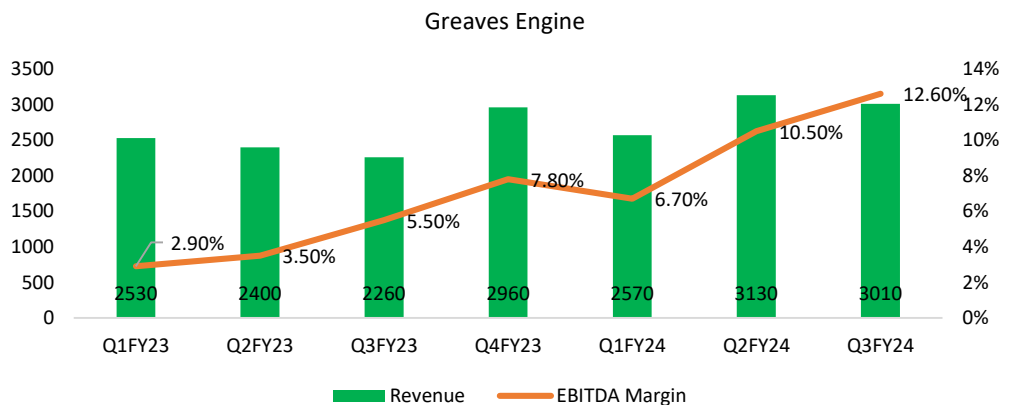
Source: Arianth Research, Company Filings

Exhibit 5: Business contribution



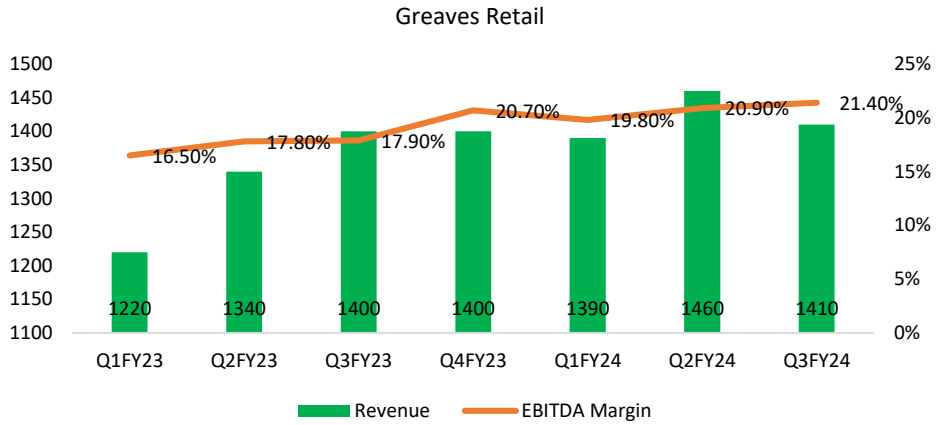
Source: Arianth Research, Company Filings

Exhibit 6: Greaves Engine

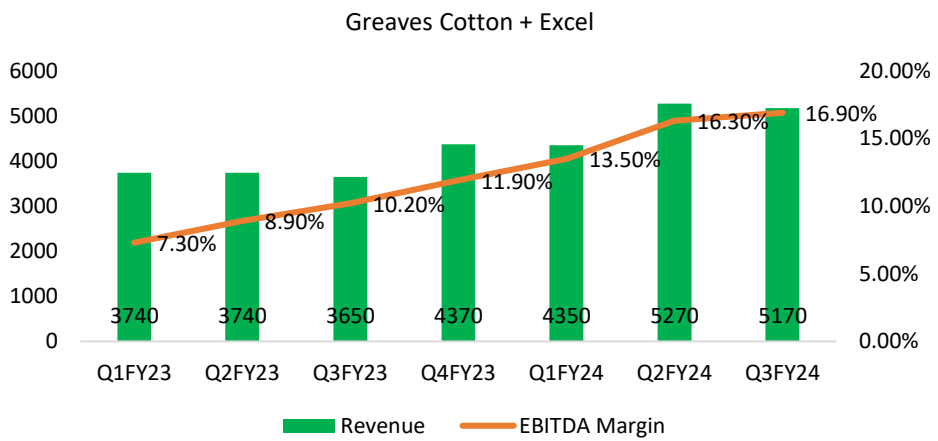


Source: Arianth Research, Company Filings

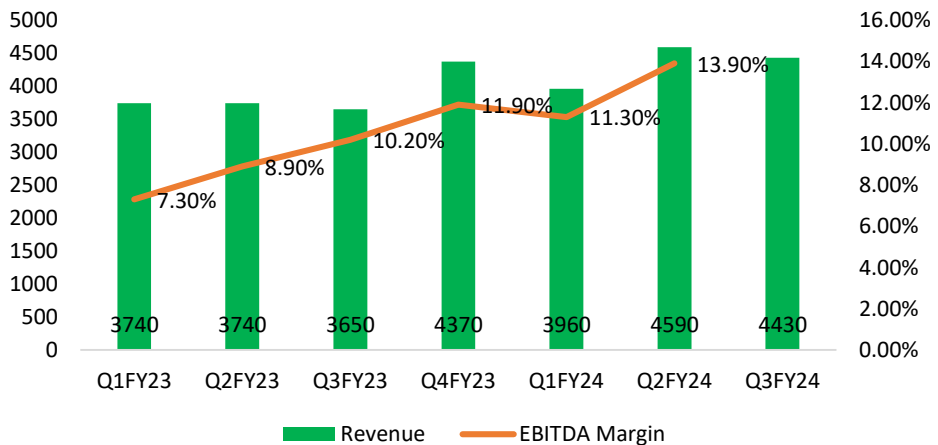
**Exhibit 7: Greaves Retail margin has improved**



**Exhibit 8: Greaves Cotton + Excel**



**Exhibit 9: Greaves Cotton Standalone**



Source: Arianth Research, Company Filings

Exhibit 10: Fuel-Agnostic Solutions Represent Current and Future Profit Pools

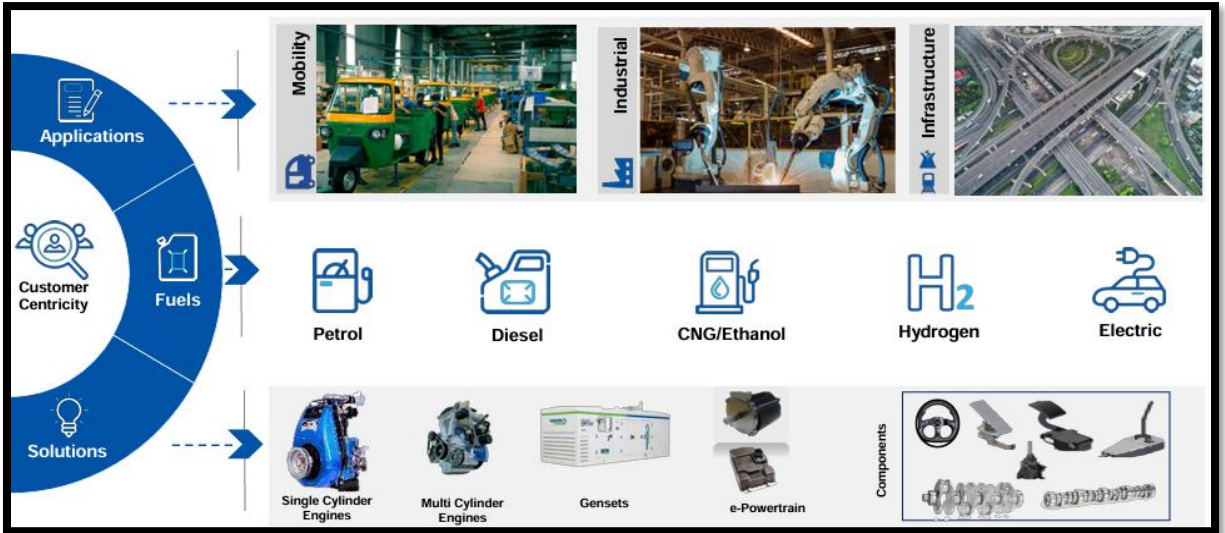


Exhibit 11: Last Mile Ecosystem

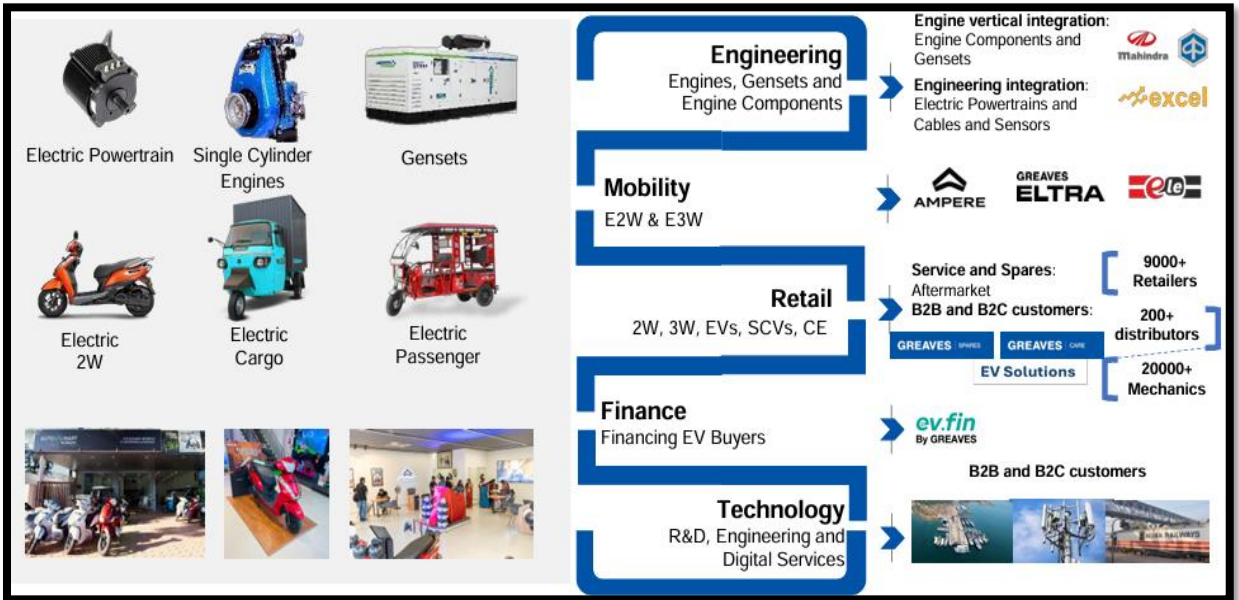
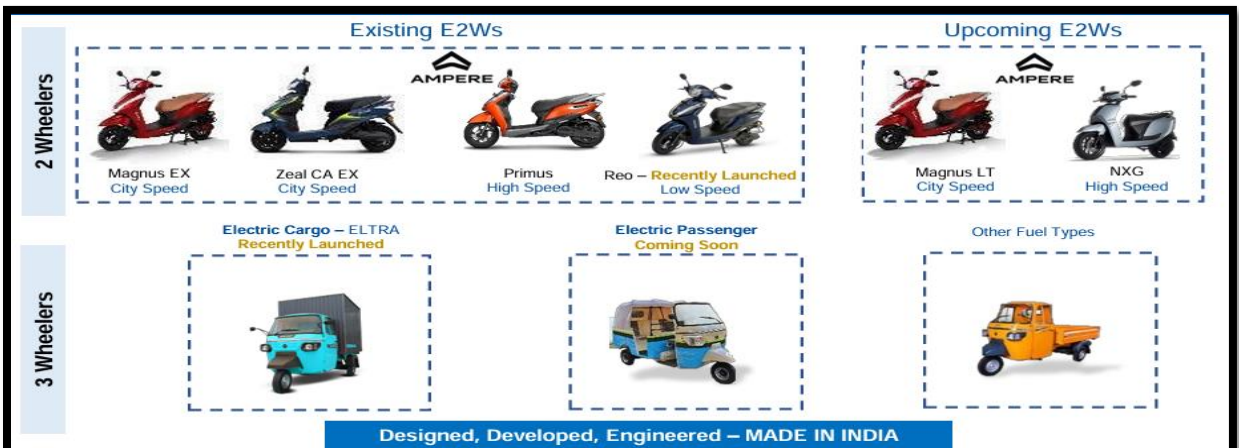


Exhibit 12: Last Mile Ecosystem



Designed, Developed, Engineered – MADE IN INDIA

Source: Arihant Research, Company Filings

**Income Statement (INR Mn)**

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Revenues</b>	15,498	19,392	22,816	25,886
<i>Change (%)</i>	31.6%	25.1%	17.7%	13.5%
Raw materials	10,995	12,992	15,287	17,343
Employee costs	1,152	1,726	2,259	2,537
Other expenses	1,836	2,036	2,053	2,304
<b>Total Expenses</b>	<b>13,984</b>	<b>16,754</b>	<b>19,599</b>	<b>22,184</b>
<b>EBITDA</b>	<b>1,514</b>	<b>2,637</b>	<b>3,217</b>	<b>3,702</b>
<b>EBITDA Margins</b>	<b>9.8%</b>	<b>13.6%</b>	<b>14.1%</b>	<b>14.3%</b>
Other Income	425	776	1,141	1,294
Depreciation	381	381	413	445
Interest	21	21	21	21
<b>PBT</b>	<b>1,537</b>	<b>3,010</b>	<b>3,924</b>	<b>4,530</b>
Extra-ordinary	69.90	1,399	1,088	1,088
<b>PBT after ext-ord.</b>	<b>1,607</b>	<b>4,410</b>	<b>5,012</b>	<b>5,618</b>
Tax	456	1,102	1,253	1,404
<i>Rate (%)</i>	28.4%	25.0%	25.0%	25.0%
<b>PAT</b>	<b>1,151</b>	<b>3,307</b>	<b>3,759</b>	<b>4,213</b>
<b>Adjusted PAT</b>	<b>1,151</b>	<b>3,307</b>	<b>3,759</b>	<b>4,213</b>
<i>Change (%)</i>	325.0%	187.3%	13.7%	12.1%

**Balance Sheet (INR Mn)**

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Sources of Funds</b>				
Share Capital	463	464	464	464
Reserves & Surplus	9,992	13,299	17,058	21,271
<b>Net Worth</b>	<b>10,456</b>	<b>13,763</b>	<b>17,522</b>	<b>21,735</b>
<b>Loan Funds</b>				
Deferred Tax & other liabilities	431	431	431	431
<b>Capital Employed</b>	<b>10,850</b>	<b>14,158</b>	<b>17,916</b>	<b>22,130</b>
<b>Application of Funds</b>				
Gross Block	5,959	6,457	6,954	7,450
Less: Depreciation	3,650	4,032	4,445	4,890
Net Block	2,309	2,425	2,509	2,560
CWIP	740	740	740	740
Other non current assets	182	182	182	182
Deferred tax assets	519	519	519	519
<b>Net fixed assets</b>	<b>3,750</b>	<b>3,866</b>	<b>3,950</b>	<b>4,001</b>
<b>Investments</b>				
Debtors	1,599	2,019	2,375	2,695
Inventories	1,540	1,819	2,141	2,429
Cash & bank balance	374	9,389	13,316	17,705
Loans & advances & other CA	536	536	536	536
<b>Total current assets</b>	<b>4,049</b>	<b>13,764</b>	<b>18,369</b>	<b>23,365</b>
Current liabilities	3,898	5,266	6,196	7,030
Provisions	311	311	311	311
<b>Net current assets</b>	<b>-159</b>	<b>8,187</b>	<b>11,862</b>	<b>16,024</b>
<b>Total Assets</b>	<b>10,850</b>	<b>14,158</b>	<b>17,916</b>	<b>22,130</b>

**Cash Flow Statement (INR Mn)**

Year End-March	FY23E	FY23E	FY23E	FY23E
<b>PBT</b>	<b>1,607</b>	<b>4,410</b>	<b>5,012</b>	<b>5,618</b>
Depreciation	381	381	413	445
Interest & others	-404	-755	-1,120	-1,273
Cash flow before WC changes	1,584	4,036	4,305	4,790
<b>(Inc)/dec in working capital</b>	<b>-1,016</b>	<b>-2,638</b>	<b>-3,506</b>	<b>-3,987</b>
Operating CF after WC changes	568	1,399	799	803
Less: Taxes	-456	-1,102	-1,253	-1,404
<b>Operating cash flow</b>	<b>112</b>	<b>296</b>	<b>-454</b>	<b>-602</b>
(Inc)/dec in F.A + CWIP	-426	-498	-497	-496
(Pur)/sale of investment	-337	0	0	0
<b>Cash flow from investing</b>	<b>-762</b>	<b>-498</b>	<b>-497</b>	<b>-496</b>
<b>Free cash flow (FCF)</b>	<b>-320</b>	<b>-202</b>	<b>-951</b>	<b>-1,098</b>
Loan raised/(repaid)	-	-	-	-
Equity raised	0.30	0.70	-	-
Interest & others	1,545	9,217	4,878	5,487
<b>Cash flow from financing activities</b>	<b>1,545</b>	<b>9,217</b>	<b>4,878</b>	<b>5,486</b>
<b>Net inc/(dec) in cash</b>	<b>894</b>	<b>9,015</b>	<b>3,927</b>	<b>4,388</b>
Opening balance of cash	780	374	9,389	13,316
Closing balance of cash	1,675	9,389	13,316	17,705

**Key Ratios**

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Per share (INR)</b>				
EPS	5.0	14.3	16.3	18.2
CEPS	6.6	16.0	18.0	20.1
BVPS	45.2	59.5	75.8	94.0
<b>Valuation (x)</b>				
P/E	33.3	11.6	10.2	9.1
P/CEPS	25.0	10.4	9.2	8.2
P/BV	3.7	2.8	2.2	1.8
EV/EBITDA	21.4	8.9	6.1	4.1
Dividend Yield (%)	0.00	0.00	0.00	0.00
<b>Return ratio (%)</b>				
EBITDA Margin	9.8%	13.6%	14.1%	14.3%
PAT Margin	7.4%	17.1%	16.5%	16.3%
ROE	11.0%	24.0%	21.5%	19.4%
ROCE	10.4%	15.9%	15.6%	14.7%
<b>Leverage Ratio (%)</b>				
Total D/E	-	-	-	-
Net D/E	0.0	-0.7	-0.8	-0.8
<b>Turnover Ratios</b>				
Asset Turnover (x)	1.4	1.4	1.3	1.2
Inventory Days	51	51	51	51
Receivable Days	38	38	38	38
Payable days	99	99	99	99

Source: Arihant Research, Company Filings

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
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