



**“Olectra Greentech Limited
Q2 FY2023 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to the Olectra Greentech Limited Q2 FY2023 Earnings Conference Call hosted by Axis Capital Limited. 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. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishit Jalan from Axis Capital. Thank you and over to you Sir!

Nishit Jalan: Thank you. Good afternoon everyone. Welcome to Q2 FY2023 results conference call of Olectra Greentech. We have the management team with us Mr. K. V. Pradeep – Chairman & Managing Director, Mr. Sharat Chandra – Chief Financial Officer and Mr. Hanuman Prasad – Company Secretary and Compliance Officer. I will now handover the call to Mr. Sharat Chandra for his opening remarks post which we can move on to Q&A. Over to you Sharat!

Sharat Chandra: Good evening, everyone. I will handover to Mr. K.V. Pradeep our Chairman and Managing Director for introductory remarks.

K V Pradeep: Thank you very much. I welcome all the participants. We saw growth across all markets and significant drives in our revenues and operating margins we are happy to report that a strong set of presence in Q2 and H1 of FY2022-2023.

Our success is the result of our commitment to push the boundaries, and the drive and talent of our workforce. This benefits our stakeholders. We are grateful to our teams and all stakeholders who are all very much committed to deliver profitable and sustainable results on a consistent basis. Also, here I would like to mention that Olectra team as a whole striving for delivering of maximum number of buses in spite of having various inconveniences, still our teams are striving very hard to deliver the required number of buses and also balancing it we are striving hard to develop new products, we are designing various new products parallelly we are implementing it and we are developing. We wish to say that as a whole, the Olectra team is working for better results for the organization as well as for the investors who has great trust in the organization and who has given complete free hand to the management to build the company. Thank you very much. Now I handover the mic to Mr. Sharat Chandra – CFO, to take over the further presentation.

Sharat Chandra: Thank you. Good evening everyone. We are taking as read the presentation which is put on our website along with the safe harbor statement thereon.

As our chairman and managing director has mentioned, we are very pleased to announce a very strong set of results in Q2 and H1 with robust growth in revenue and EBITDA. The performance of H1 quarter is quite significant in terms of both topline and bottom-line growth and achieved highest ever half yearly topline and operating margins. I will begin with providing the key financial highlights for the first half earnings and then take you through the detailed financials.

For H1 on a standalone basis, our company has delivered 370% growth in topline, 157% growth in EBITDA and 421% in PAT versus H1 of last year. The key highlights are as follows:

Our standalone revenues ended at Rs.517 Crores versus INR 110 Crores an increase of 370% over last year, primarily driven by electric bus segment which has grown by 617% and followed by insulator segment which also has contributed to the growth by 10%. In terms of gross operating margins, the margins in insulator segment has also shown significant improvement due to design optimization and higher export sales which contributes higher margins. However, overall in terms of value, the electric bus segment has contributed significantly by delivering 280 buses versus 29 buses last year and also higher operating income we have generating from bus operations in Pune. On the fixed cost side, there is an increase in operating expenses inline with increase in production activities. In the bus operation side, the operating expenses have gone up by about Rs.7.2 Crores due to full-fledged bus operations and in terms of administrative and selling expenses, higher travel costs by about Rs.1.42 Crores and also increase in exports, C&F expenses and selling expenses are contributed due to higher operating activity by about Rs.3.4 Crores. As far as EBITDA is concerned, we have achieved significant growth over last half year in absolute terms and delivered Rs.58.7 Crores in current half year versus Rs.22.9 Crores in the last half year with a growth of 157%, in terms of value about Rs.35.9 Crores and EBITDA margin at 11% is almost similar to previous two quarters. The finance cost for H1 are higher at Rs.15.4 Crores versus Rs.2.9 Crores this is mainly due to higher production volumes in the current year and in terms of higher utilization of fund based and non-fund-based limits in e-bus segment and higher utilization of cash-credit and export packing credits in insulator division.

Overall, the net profit for the quarter stood at Rs.29.9 Crores in the current half year versus Rs.5.7 Crores in the last half year showing a significant growth of Rs.24.2 Crores mainly driven by electric bus segment. On the tax line, the tax rate is 24% for the current half year versus 32% in the last year.

In terms of cash flows, our working capital requirements are being serviced efficiently through optimum utilization of credit facilities, better collections and internal accruals.

Higher build up of working capital as on 30th September is in line with the revenue growth. Overall we believe that we are well placed and poised to deliver strong results in the current financial year 2022-2023. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Sir, I wanted to understand if you could give us some more color on which states are moving fast in terms of moving towards electric buses, which are the tenders you feel can come up over the next maybe one or two years, that are you seeing where demand comes?

K V Pradeep: As far as the states are concerned Maharashtra is progressing well and various transport agencies, transport units in Maharashtra are inviting tenders at state level and apart from that government of India perhaps you maybe knowing that CESL has floated one more very large tender of 5600 numbers without VGF, earlier VGF was 45 to 50 lakhs now government of India wants to know the interest and price level without VGF, they have floated 5400 numbers. This is the overall major tenders that are being invited. However, apart from this, almost 2000 buses of tender across the country, various STUs have started floating which are in pipeline. Apart from that CESL is going to invite 50,000 electric bus tenders in this coming two-three months' time. So once this 5400 numbers is concluded now CESL wants to come up with a tender of 50,000 numbers. Apart from that there are plans in one of the STU in Maharashtra to float a tender worth 2000 numbers which may go up to 5000 numbers. These are all probably my information maybe in bits and pieces, I will just list over one after other. Maharashtra state as a whole is progressing well. Number two, in Maharashtra state and other states put together the various transport organizations of respective governments have invited for about 2000 numbers of tenders. CESL has floated a tender for 5400 numbers, the tender has already been floated without subsidy and once this 5400 numbers is concluded, immediately CESL wants to float one more tender for 50,000 numbers. Apart from that one of the major STUs in Maharashtra wants to float a tender, is preparing the tender document wherein the numbers would be between 2000 to 5000 buses, still the numbers have not been frozen but they are planning minimum of 2000 numbers and maximum of 5000 numbers. This is the future forecast of these tenders which are coming up.

Nikhil Kale: Sir what about the private side are you also seeing demand coming in from private player or is that still at a very initial stage and not really lot of demand there?

K V Pradeep: Even from the private side the current situation is many of the private operators are showing interest in the floating enquiries for buses. But unfortunately, their financials, their balance

sheets are not supporting them for finance because of which the private sales has not yet taken full shot. Otherwise lot of private players are showing great interest towards electric mobility, but they have mentioned with their financials, the banks or the commercial organizations are not supportive. However, definitely in six-eight months' time, definitely the amount of issue, financial situation may take some changes or other and they start financing even for these private operators.

Nikhil Kale: Considering the kind of robust kind of activity that might happen over the next few years, I think our execution capability right now is around 150 buses per month, is that right?

K V Pradeep: Yes.

Nikhil Kale: So, what is the ramp up plan, if you could just give us some broad ballpark numbers or the capacity numbers that you are looking at over the next two-three years, how do you plan to ramp up capacity and the kind of funding or the capex that will be needed to ramp up capacity?

K V Pradeep: As far as the capacity ramp up is concerned as you know that Olectra board has approved for raising capital for establishing a manufacturing facility for a capacity of 5000 numbers now and expected capacity would be 10,000 numbers for which the process is on. This plant may come up in coming 12 months' time which shall be ready to manufacture 5000 buses per annum. What is the second part of your question?

Nikhil Kale: The number of years that will be taken to ramp up to maybe 5000 or 10,000 buses a year something like that number and generally what is the capex number that you look?

K V Pradeep: Capex for the manufacturing facility you are talking?

Nikhil Kale: Yes.

K V Pradeep: It is between Rs.600 to Rs.800 Crores.

Nikhil Kale: Okay, thank you. I will come back in the queue.

Moderator: Thank you very much. The next question is from the line of Nishid Shah from Ambika Fincap. Please go ahead.

Nishid Shah: Hi! This is Nishid Shah here from Ambika Fincap. First of all congratulations on a good set of numbers. I have a couple of questions. Mr. Pradeep the landscape that you have mentioned in your presentation is enormous, the opportunity is very large. How are we gearing up to capture these opportunities because the question that I am asking is in the

context of the competition like we have been talking about expanding the capacity to 5000 buses for last 12 months, I have been listening to the Con-Call. But if you see that Tata Motors have been a rapidly expanding their capacity and they can cater to 50,000 buses, so the point is when there is an opportunity we are still struggling to actually raise money, how are we going to face the competition and capitalize on the opportunity?

K V Pradeep:

Very good question. Let me answer to this question in a scaled way. Probably you may be knowing that for all these days Olectra is the market leader as far as the orders are concerned equally even the delivery. As of today, Olectra is the largest OEM which has supplied the maximum number of buses. Olectra buses have run 8.5 Crore kilometers across the country, on Indian roads it has run 8.5 Crores kilometers. Apart from that it is proud to say that being our company's product have run 8.5 Crore kilometers, both competitors, major players put together have not done even 50% of what we did. That is the strength of our product number one. Number two, having manufactured and delivered maximum numbers when compared to any of our competitors, we proudly say that we are far, far ahead than any of our competitors as far as manufacturing facility is concerned. You are right for the past eight months we have been planning to enhance our manufacturing capacity for which we have identified several locations and also, we have requested the government for various concessions to establish the manufacturing facility. To have that concessions in place has taken reasonable time with which plans were delayed by four months. However, now the things are in place, board has given approval, process is on and we are moving ahead with the fund raise. Apart from that it is our commitment and it is our strength that the day we raise the fund within 12 months' time we will be shifting over to the new manufacturing facility wherein we will be in a position to deliver 5000 numbers a year. So, I hope I have cleared the doubt.

Nishid Shah:

Sir, actually you partly explained my question. The issue that I am raising is that you have a collaborator in BYD which is a world leader in the technology, then why are we not gunning for a market leadership. On side in a slide you are talking about 200,000 buses requirement every year. Then we should be having a capacity for 25-30% of that, that means 50,000-60,000 buses should be the capacity that we should be planning, we are planning only 5000 buses. Are we not sure about the future or what is it?

K V Pradeep:

Very good question. Let me reply to this, very interesting question. It is like this, yes you are absolutely right that the numbers whatever we have presented they are going to be the real numbers, but here the point is it is going to be in a phased manner. The numbers that are presented are coming up in a phased manner. Today if we require to establish for example 25000 and 50000 capacity it would be an over capacity plant with which for some number of years we shall be under utilizing it. We do not wish to invest the money of our shareholders on the facility which we will not be using to the maximum. I really want to

make a correction in your statement that, it is not 5000 numbers the ultimate capacity what we are designing this facility is 10,000. That is the plan how we wish to go. Also, I would like to bring to your kind knowledge that apart from these buses we are also developing various other products like Tippers which we have developed and very soon we are going to present to our investors about the completion of Homologation, part one. Part two, we are also developing haulage trucks, designs got finalized and the product is under development, coming three to six months we will be developing the electric haulage trucks. These are the developments or the new segments that are going to get developed in Olectra with which the capacity of 5000 what today we are estimating and establishing manufacturing facility would be fully utilized and 24 months' time we want to make this facility to 10,000. Hope I am clear on my communication.

Nishid Shah: Yes, that is helpful. My other question is how many years we have an agreement with BYD for supplying of the batteries. What if tomorrow BYD, like they already have for the cars they are coming on their own, if they do not supply us battery what is our alternate plan?

K V Pradeep: As far as the agreement is concerned we have till 2025. We are the largest electric bus manufacturing company, it is not only our necessity to get the cells from BYD but also it is their business interest to have association with us. So, it is a mutual business interest which will give a win-win situation for both organizations. I cannot say that there will not be any kind of deviation, in fact what we strongly believe is that both companies like to have a strong association even post 2025.

Nishid Shah: Yes, that is something which was in my mind that the longer-term association with the world leader on technology would help. But I am looking at the competition Tata Motors have their own technology for the batteries, obviously BYD is not the only player, if tomorrow by chance in 2025 the agreement does not get renewed then in that case what is our plan B?

K V Pradeep: To be honest with you, various other battery manufacturers, world leaders in battery manufacturing are seriously striving to reach out to Olectra and they are giving proposals to us to have long-term association with us. Not that we want to go with them but we have several other options to move forward in case if something goes deviated.

Nishid Shah: Sir, thank you very much for answering all my questions. Thank you very much and wish you all the best for the future fund raising.

Moderator: Thank you. Our next question is from the line of Gursharan Singh Sethi from GMA Advisors. Please go ahead.

Gursharan Singh Sethi: Thank you for giving opportunity. Just seeing the revenues in September have fallen from Rs.281 Crores to Rs.177 Crores while we were speaking in the previous call that we have enough of orders about 1300 buses and we were assuring that more than 1000 buses we will be able to supply in this year. How many buses have we supplied in this quarter and also want to enquire what is the constraint when we have firm orders, when we have given guidance of about 1000 buses in this particular year, in the half year we have not crossed half mark even.

Sharat Chandra: This Q2 we have delivered 111 buses and Q1 we delivered 169, total overall 280 buses is what we have delivered. The reason for decline in Q2 was on account of the supply constraint which we have faced in Q2 in August-September with regard to the imports relating to cells and there was a congestion as well as typhoon in China which has led to a delay for importing the cells. As of now we have sufficient stocks to care of the execution of orders in Q3 and Q4.

Gursharan Singh Sethi: Okay, but do you think you will be able to achieve 1000 buses what you have guided in the previous call, in this financial year?

Sharat Chandra: Yes, we are striving but definitely it is a price sensitive matter so we are definitely striving to do better H2 compared to H1.

Gursharan Singh Sethi: Can you guide us how your October month has been, the supply side resolved as you were mentioning. Has October picked up very well?

Sharat Chandra: Yes, it started picking up in the second half of October, so in November we will be doing very well.

Gursharan Singh Sethi: Okay, because on VAHAN the registrations of Olectra buses does not seem to be so many?

K V Pradeep: No, it is VAHAN portal good number of registrations have shown.

Gursharan Singh Sethi: October month our registrations are not so great?

K V Pradeep: Right, the numbers that we have delivered is 111.

Gursharan Singh Sethi: It is up to September, I am asking about October, you said the supply side is now resolved, so October also I do not think we have manufactured too many buses?

Sharat Chandra: What happens is Mr. Sethi after both manufacturing and supply there will be some time line of about three to four weeks for the registration formalities to get completed that is the reason whatever supplies we do to the operating company they will take some time for the

registration that is the reason maybe it is not reflected in VAHAN. But November you will start to see increase in the registrations.

Gursharan Singh Sethi: That is very encouraging. Just wanted to understand what is the status of our BEST order which got into a limbo because of the court case. How many buses have been supplied in that?

Hanuman Prasad: Thank you. As we earlier disclosed actually the matter is in the apex court and maybe final hearing is there on November 14th or 15th mostly, since matter is sub judiciary we are unable to give beyond a point and coming to the point the number of buses delivered to BEST as of now is 14 number of buses.

Gursharan Singh Sethi: Right, in the previous call we were told about the Tipper that we have already put to test and we will be launching it in the second half. By when can we expect the launch of Tipper would be done?

Hanuman Prasad: It is a quite price sensitive information because I think some homologation related approvals actually it is in the process. At appropriate time we will come out to all the shareholders as a part of disclosure.

Gursharan Singh Sethi: Okay, and how successful has been the test, are we satisfied with the Tipper which we have launched, because that is thoroughly by indigenous technology?

K V Pradeep: Yes, we are very much satisfied and it is very much proven. We have conducted the trials in the project sites and the trials are very, very successful than our expectations. Perhaps you might be knowing that this product is completely designed inhouse and in accordance with our designs to product got developed and the product, which is developed we have thoroughly tested, it is proven and it is at the fag end of homologation. Probably you might be knowing that unless the homologation is completed we shall not be allowed to market the product. So, it is at the fag end of homologation, probably in a weeks' time, ten days' time if homologation gets completed and we shall be unveiling the product very soon.

Gursharan Singh Sethi: That is fantastic. Regarding the fund raise, it was mentioned that we will be able to complete it in November, are you on the same track or it is going to be pushed further?

Hanuman Prasad: We are in the process and at the appropriate time we will come out with disclosures, we are in the process, we are in the right direction.

Gursharan Singh Sethi: But in November you think you are going to raise it as you had guided in the previous call?

Hanuman Prasad: I think we mentioned previous call it is approximately maybe here or there it can be completed anyhow required disclosures can be given at appropriate time, they are in right direction very much.

Gursharan Singh Sethi: Lovely that is nice. This is going to be strategic investor or it is going to be only a financial investor.

Hanuman Prasad: We are exploring all the possibilities, board has constituted a committee for that, we are exploring certain things. It is actually price sensitive information I think we are not supposed to come out even frankly speaking still it is in exploring stages. We can come out with that at appropriate time.

Gursharan Singh Sethi: Okay, wish you all the best and we look forward for a bright future of the company.

Moderator: Thank you very much. Our next question is from the line of Rakesh from Axis Capital. Please go ahead.

Rakesh: Thank you for the opportunity. What is your current order book and what is the timeline you are expecting to take to execute this entire order book which you have for the buses?

K V Pradeep: The current order book is 3360 which is going to get completed in 18 months' time.

Rakesh: Okay, which means by mid-2025?

K V Pradeep: Yes.

Rakesh: Okay, and another question is did I read you numbers correctly that in Q1 you had done about 169 and in Q2 you did 111 buses?

K V Pradeep: Yes you are right.

Rakesh: Okay, and Q2 was largely impacted because of supply constraint?

K V Pradeep: Correct.

Rakesh: Okay, just one additional question, what is the kind of technological tie ups or support which you have undertaken or you have undertaken any for Tippers and Haulage buses. What is the kind of requirement you have done any KVs if you can highlight around that?

K V Pradeep: It is like this; the Tipper and Haulage trucks are designed inhouse. We have not taken any design support from any of the other OEMs, they are all inhouse designed and we Olectra

owns those designs in accordance with those designs we have developed the Tippers. This is the brief of the Tipper and Trucks.

Rakesh: You are saying that is end-to-end entirely designed inhouse and what is the kind of imports you will be doing to build these trucks, what are the things you will be importing or you are taking any technology from outside?

K V Pradeep: Yes, definitely. Cells we will be importing as being done today apart from that some of the chain parts of power thread would also be imported.

Rakesh: Any technology transfers which you have taken?

K V Pradeep: No, since we have the technology inhouse, we do not require to take any technology from outside.

Rakesh: Okay, thank you.

Moderator: Thank you very much. Our next question is from the line of Punit Chokhani from Black Gold LLP. Please go ahead.

Punit Chokhani: Hi! Good evening sir, couple of questions. Thanks for the opportunity firstly. I wanted to clarify what is the inflow of orders in this particular quarter that has gone by in terms of number of buses?

K V Pradeep: Yes, what is the other questions?

Punit Chokhani: Okay, I will ask you all my questions. Number two was, you said you delivered about 280 buses and the previous participant asked if you are still guiding for 1000 bus delivery which you had mentioned earlier. But it is clearly I know you will be able to do it because if you are doing 150 buses a month then if you add up and if you operate 100% utilization as that is when you deliver but of course with manufacturing's you will have challenges so, wanted your thoughts on that. Number three, your order book stands at 3300 odd buses you said 3360 buses. I just wanted to understand again, your capacity expansion is delayed which I understand is because of the fund raise. But if the buses need to be delivered in 18 months then you will have to get your capacity up and running it 12 months' because even otherwise given your 3360 buses will not be delivered in 18 months right if you do about 150 buses a month and lastly, my question was clearly the entire business revolves around buses at this point in time. You have an insulator business which is less than 20% of your revenue. What is the idea of still holding it in this particular company, your thoughts on that. Thank you.

K V Pradeep: The first part is inflow of orders. It is 523 numbers is the order during last quarter. The other point what you have mentioned is, since the numbers are 3300, how are we going to deliver in the coming 18 months' time. As I was mentioning you in coming 12 months we will be completing the manufacturing facility and once the manufacturing facility is created till such time we will be delivering around 150 numbers and subsequent to that we shall be switching over to our new facility in that the capacity would be much higher than what today we are manufacturing and the buses shall get manufactured there and they will be delivered. That is the plan of action what today we have. The third question what you have asked in accordance with the insulators. Since it is very old business wherein we are pioneers in polymer insulator business. Also, we are doing 50% of our capacity to export the product to US, we want to hold this business in the same company that is why we want to continue.

Punit Chokhani: So, what would be the reason for that. Even if you are exporting what is the idea of keeping it in the same business because there is no synergy of any sort and please correct me if I am wrong, there will be no overlap in technology or manufacturing they are completely different business verticals. Even if you are exporting the US how would that add any value to a company which is primarily looking at so much potential in these electric buses and growing capacity multifold?

K V Pradeep: You are right, I firmly agree with you. There is no synergy between these two businesses, but the point is having established this business almost 15 plus years, we have strength and we have established across the country that now the product is approved all across the country and we are the market leaders in it. Also, apart from this is domestic business, we have also got very good approvals and execution in the US market which having established long back and reasonably making the profits, we do not have any idea or we do not wish to high walk this business from this organization. Other than that, there is no hide and seek in this and it is a very simple idea to continue this business in this organization.

Punit Chokhani: Sure, thank you for answering my questions. Good luck, Sir.

Moderator: Thank you. Our next question is from the line of Sudhakar Rao an individual Investor. Please go ahead.

Sudhakar Rao: Good evening gentlemen. I am Sudhakar from Secundrabad. I had several questions, but my chance has come at the fag end of the Con-Call, so most of the questions then are asked and you have answered. Primarily I was concerned about the core working for this quarter, the profit, revenue everything were down this year compared sequentially, not half year as a whole. But sequentially if you compare the given quarter they have fallen drastically and that is mainly because of very less sales, only 111 buses were delivered in the quarter that

could be the main reason and you have also spelt out some reasons of supply constraints and all. I hope you will get out of this problem because the competitors are not facing that much problem, they are delivering in quite large numbers, especially the newer competitors. So, I hope you do not miss out on the market opportunity because we have a full order book and deliveries for some of these STUs are overdue and you can make 100 to 150 buses per month. So, 111 was very less that was my first concern. Secondly in Tipper you have already told it will take some more time for that certificate of homologation. Regarding raising funds Rs.800 to Rs.1000 Crores for the new greenfield project, this is November and still we have not raised the funds. Will you be able to stick to your target of June 2023, commercial production if you raise funds now, these are my questions.

K V Pradeep:

Yes, got it. You said that the other competitors do not have the issues in delivering, probably I may have to bring to your kind knowledge that each and every OEM has got the same problem. We are also one amongst them. If you just verify the portal we are the largest suppliers for the electric bus during this quarter and compared to any of the OEMs. Number two. Number three yes, we are inline with our earlier plans to raise the funds and we are sure that we will be completing the manufacturing facility in accordance with the earlier plan what we have made.

Sudhakar Rao:

Okay, thank you Sir. Good luck to you.

Moderator:

Thank you very much. Ladies and gentlemen, we take that as the last question. I now hand the conference over to the management for closing comments.

K V Pradeep:

Thank you very much. I think good questions these investors have raised and also, I would like to reiterate to the investors that we shall definitely be reaching out to their expectations number one. Number two, apart from the business what today we are doing I assure to stakeholders that Olectra is developing, is striving but various other new products that has got tremendous amount of marketability and business and we shall be reaching out to the expectations of the market and very soon probably next year there would be several new products which shall get into the market from Olectra side. Also, apart from the new products parallely we are developing the new facility as we are discussing wherein we can manufacture all these new products apart from these buses which Olectra will be the market leader and our products would definitely have a strong say in the market. Thank you very much. Thanks for your kind suggestions. Thanks for you understanding. Thank you very much for the participation. Thank you.

Moderator:

Thank you very much, Sir. Ladies and gentlemen, on behalf of Axis Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.