



**“Olectra Greentech Limited Q1 FY-23 Earnings
Conference Call”**

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MODERATORS: MR. KAPIL SINGH – NOMURA

Moderator: Ladies and gentlemen good day and welcome to the Olectra Greentech Limited Q1 FY23 Earnings Conference Call hosted by Nomura. 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 the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kapil Singh from Nomura. Thank you and over to you sir.

Kapil Singh: Good evening, everyone. Thank you for joining this call. From the management team of Olectra, we have today Mr. K.V. Pradeep – Chairman & Managing Director, Mr. Sharat Chandra – CFO, Mr. Hanuman Prasad – Company Secretary and also Mr. Ramesh – Manager. Mr. Pradeep I will hand over to you for opening remarks please.

K.V. Pradeep: Thank you Kapil. Good evening, all. This is Pradeep from Olectra Greentech. We are happy to announce that till date we have supplied 750 buses which are operating across the country and our buses have completed about 6 crore kilometers on Indian roads which is the highest as far as electric buses are concerned. So, we are progressing very well. Also, the Q1 results yesterday we have announced, they are all very promising and quarter-on-quarter we are progressing very well. We have about 3300 buses on hand order which are required to get supplied from 12 months to 18 months. Olectra Greentech is progressing very well and further more orders also we are expecting. I invite the questions, any questions from the participants.

Moderator: Thank you. Ladies and gentleman, we will now begin the question-and-answer session. We have the first question from the line of Gunjan from Bank of America.

Gunjan: I just had a few questions on the CESL order. If I recall, you had called out that this was pretty aggressive bid that was made and now if I see that you all have agreed to participate in the bid matching the same price that TMO did. I'm just wondering has anything changed and how are STUs thinking, are they willing to take on more OEMs, you and Tata Motors given the bid has already been or the winner has already been announced? Some thoughts on that.

K.V. Pradeep: Is it the question?

Gunjan: That's first question and I have one more.

K.V. Pradeep: Let me refer to your first question. This is Pradeep answering your question. See, CESL has floated a tender for about 5500 buses where one of our competitors have got about 5000 number and couple of cities, we are asked to match the price where we have not. Especially at Hyderabad we have matched the price and we have taken. The reason why we have given our consent is that the number of kilometers that is being operated in Hyderabad are around 300 km. When compared to the other cities the number of kilometers that are being operated at Hyderabad are much higher than the assured kilometers. Whereas you may be knowing that we are operating 40 buses in Hyderabad for the past 4 years, so we know the roads, we know the schedules, we

know the number of kilometers. So, for that reason being the number of kilometers much higher than the number of kilometers that are assured, we have given our consent and we have taken that order. Other than that, though at other places we are asked to match to the prices we have not agreed for it.

Gunjan: The other question that I had was on the funding plan, from what I understand at Olectra level you are looking at some funding. But Evey which is where the mobility as a service or these contracts of STUs will be placed, won't the balance sheet requirement or won't that business be more balance sheet heavy and there is need for funding there? So, I am just understanding the thought process that if you end up servicing these 3000 or 4000 buses, it's a pretty \$700-\$800 million kind of a contract value which will need to be serviced by Evey over a period of time. So, how are we thinking about the financing of both Olectra as well as the Evey company?

K.V. Pradeep: Let me just briefly explain about the organization structure. You know Olectra is the one of the group companies of MEIL and Evey Trans is the 100% subsidiary of MEIL. So, whereas Olectra is the listed entity and 50.02% is the stake that is being hold by promoters. As far as Evey Trans is concerned being it is 100% subsidiary of MEIL, all the funding and other things are being taken care of by MEIL and as far as Olectra is concerned other than working capital we do not require any funds. But in the recent past we have made some of the announcements that we are raising about 800 to 1,000 crores from the market. The very purpose of it is, we have acquired 150 acres of land here to develop a manufacturing facility where we want to produce 5000 in the initial state and 10,000 as an ultimate capacity of buses/ vehicles per annum. So, to manufacture that, to develop that infrastructure we require 800 to 1,000 crores of amount. So, for that we are planning to raise from the market. The discussions are on with our board and still the board has not taken the call yet. So once the board takes the call immediately, we'll come to the public and we shall inform the model how we want to take the fund. So, this is the structure and this is about the fund required.

Gunjan: That's really helpful. Just last question if I can squeeze in is on the BYD arrangement. If you can just refresh us as to the timeline until which the agreement and how does it work, what value?

K.V. Pradeep: Wherein on the BYD is a technology partner for us and till '25 we have the agreement which shall get extended. Having the volumes gone up, BYD would also be interested to extend the agreement. As of now till 2025 definitely we have an agreement with them. Hope I am clear on all your doubts?

Moderator: We have the next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: I just wanted to understand first, so what's our current execution capability I mean per month or...?

K.V. Pradeep: As of now we can produce 100 buses a month and we are targeting to raise that to 150. So that's the capacity as of now.

- Deepak Poddar:** And by when?
- K.V. Pradeep:** Pardon?
- Deepak Poddar:** By when we are looking to raise it to 150 buses per month?
- K.V. Pradeep:** Another 2-3 months.
- Deepak Poddar:** You mentioned these 3300 buses orders that we need to execute over the next 12 to 18 months, right?
- K.V. Pradeep:** Yes. In that about 800 to 1000 buses may require to get supplied in around 24 months, so remaining 2000 we shall have to supply in 18 months' time.
- Deepak Poddar:** What would be our execution target for this year FY23?
- K.V. Pradeep:** We are targeting thousand number.
- Deepak Poddar:** But then still late in 2000 over 1.5 year, 2000 buses over 1.5 year then would still be difficult to execute given our capacity right now?
- K.V. Pradeep:** The next six months definitely we would be doing around 900 buses with which we shall be meeting the target.
- Deepak Poddar:** So FY23 1000 buses and 1H FY24, 900 buses, that's what?
- K.V. Pradeep:** Yes.
- Deepak Poddar:** And average buses the ticket size is about 1 1.5 to 1.7 crores?
- K.V. Pradeep:** There are 4-5 models in this bus. So, each model costs different.
- Deepak Poddar:** In terms of margin profile how do we do look as a margin profile for us?
- Sharat Chandra:** We are expecting the EBITDA margins around 12% is what we achieved. We are expecting to maintain the same level going forward.
- Deepak Poddar:** But ideally, I thought with the higher base I mean at 1000 buses, wont we get some leverage advantage or because of that our operating profit margin kind of should inch upwards?
- Sharat Chandra:** Basically, the contribution levels will be around 15%-20%. Overall, in terms of volume we expect EBITDA margin of 12% should be a good guidance. We have to see the volumes also keeping that volume in mind whatever we do in 100 numbers, 1000 numbers definitely cannot be the same.

Deepak Poddar: Any kind of raw material pressure are we facing right now or how is on the raw material front for us?

K.V. Pradeep: We are importing the cells from China and earlier there was some inconvenience in the imports but now slowly it is getting settled. So probably there may not be the same constraint what we have experienced in the earlier quarters. Definitely the things are getting improved.

Deepak Poddar: It's getting improved, so raw material availability is not an issue for us, right?

K.V. Pradeep: Yes.

Moderator: We have the next question from the line of Dhruv from Ambika Fincap.

Nishid Shah: Basically, my question is you had a roadmap of taking up your capacity to 10,000-15,000 buses. Now can you give us a roadmap as to how this is going to happen and in between you were to do the fundraising and what is the status on the fundraising program? When are you going to increase because 1000 buses a year means nothing because the competition is doing 5000-10,000 buses a year? With a partner like BYD I think we are losing out the opportunity. Can you please elaborate?

K.V. Pradeep: As of now the electric bus market is in very initial stage. The largest tender that got floated is 5500 buses by CESL and in the coming years definitely there will be much larger number of tenders are coming up. Now we are going to establish a manufacturing facility with an ultimate capacity of 10,000 and in the initial capacity of 5000. First of all, we are developing the infrastructure in 150 acres of land which got procured nearby Hyderabad. In coming 8 to 10 months' time, we shall develop that infrastructure. In the initial period it would be 5000. As I mentioned the ultimate capacity will be 10,000 number. Probably by next year June-August we shall be completing the facility and with that new facility we shall be ready to manufacture 5000 buses. So that's the plan as far as the facility is concerned. Number two, as I mentioned earlier, we required 800 to 1,000 crores for developing this manufacturing facility. For the fundraise various options are being discussed in the board. Once the board decides we shall come out with a clear proposal.

Nishid Shah: Thanks for that update. And what is the status on trucks and three-wheelers? Can our technology not be used for the trucks and can we not have the batteries for three-wheelers? Can we not manufacture the batteries for three wheelers? Can we not have the three wheelers?

K.V. Pradeep: Two questions. One is trucks and the other is three-wheelers, let me answer to the trucks. In the recent past perhaps you may be knowing that Olectra has developed electric tipper. The tipper we have completely designed with our own design. We have developed the product and the tipper; the trials are completely done and the product is getting homologated. Once the homologation is completed then we shall take up the commercial production. Once the homologation is completed, we shall be unveiling the product and finally we shall also be

starting the commercial production. That's the progress and program of this tipper. As far as the batteries which you have mentioned for the three-wheelers and other things, we are just importing the cells and we are assembling the batteries here. But the batteries require to get manufactured where in India there is no such facility available and all the OEMs are importing the batteries itself from China. We are although, Olectra also importing the same cells from China and getting them packaged. So, since we are importing the cells, there's no point in supplying the packaged batteries to three-wheelers.

Nishid Shah: My last question is on the trucks. Are we going to tie up with BYD or are we looking at some other options?

K.V. Pradeep: A good question. We are having a very long experience and very rich expertise in this electric mobility. Our R&D team has designed and developed the product for this tipper. And accordance to our design, our own designs and our own requirements we have developed that product which has run very well which has proven in accordance to our requirements. The same product which we have developed is getting homologated. So that is the progress about the tipper. It is not with BYD.

Moderator: We have the next question from the line of Nagendra Maurya from Growthx Capital.

Nagendra Maurya: Just wanted to understand the outlook on the insulator business. I remember we have been discussed earlier this regarding to achieve 200 crores of revenue for the FY23. How this thing is progressing in the insulator business?

Sharat Chandra: As far as insulator is concerned, we have actually increased exports with one large customer in US from 15 crores levels in last year we are expecting to do achieve about minimum 50 crores this year and last year due to COVID the tenders all got delayed and this year all the tenders are getting finalized then we are hoping to achieve the 200 crores target.

Nagendra Maurya: That means in coming months or coming quarters the sales from this segment will be much higher because this quarter we have almost 25 crores sales done. I think second quarter or from this current quarter sales will be accelerated?

Sharat Chandra: The third quarter and Quarter 4 are expected to be the bigger quarters.

Nagendra Maurya: Same with the bus segment because almost 1000 buses we are targeting to deliver and almost 170 buses we have delivered in Quarter 1? So, I think for the third and fourth there will be acceleration in the sales in e-bus as well, right?

Sharat Chandra: Yes. Correct. You're right.

Nagendra Maurya: One brief clarification on this expansion side. What are the timings by when this expansion will be completed?

- K.V. Pradeep:** Expansion probably by June-July we are expecting the infrastructure to get developed.
- Nagendra Maurya:** By next year, right?
- K.V. Pradeep:** Yes.
- Nagendra Maurya:** Just one small question; our interest cost has been increasing last 2-3 quarters. We have reached debt or something, this is just due to the working capital facility?
- Sharat Chandra:** This is a good question. This quarter we have availed the total fund based and non-funded limits for both the businesses which has resulted in higher interest cost.
- Nagendra Maurya:** Are we expecting a further increase from here?
- Sharat Chandra:** It will be around the same levels. We expect the finance cost to be around 3%.
- Nagendra Maurya:** 3% of the sales?
- Sharat Chandra:** Yes.
- Moderator:** We have the next question from the line of K. Sudhakar Rao from Transparent Securities.
- K. Sudhakar Rao:** You have said that the order book is about 3300 buses. Does it include the 2100 Best which is under litigation?
- K.V. Pradeep:** Yes. It is in litigation. But Supreme Court has given clear interim order to go ahead with the supplies.
- K. Sudhakar Rao:** So, you're supplying apart from the 10 that you have already delivered. You can go ahead with delivering with the other buses also before the next year hearing in September?
- K.V. Pradeep:** Yes, we can.
- K. Sudhakar Rao:** Regarding the three-wheeler, last time you said that you are one-time getting to manufacture about 3 lakh three-wheelers? So are you going ahead with that?
- K.V. Pradeep:** CESL has invited a tender for 1.0 lakh units of three-wheelers. So out of which we got around 13,000 three-wheelers order but that unfortunately CESL has kept aside that program of procuring three-wheelers and they have started paying the attention towards the buses where they have floated 5500 buses tenders. So now CESL has not initiated any procurement action we have not manufactured or supplied the three-wheeler.

- K. Sudhakar Rao:** When do you expect the new plant to come up? You have said that June-July, does it take that long for you are masters in infrastructure and building plans?
- K.V. Pradeep:** Yes definitely. You're right. We are masters in infrastructure but as we were mentioning it is completely an automated manufacturing facility where human intervention would be very minimal. So, the equipment which is required to place in the plant, requires little longer delivery period. For that reason, at least 10 to 12 months' time is essentially required for that.
- Moderator:** We have the next question from the line of Punit Chokhani from Black Gold Services.
- Punit Chokhani:** I actually have two questions. One regarding the fundraise. You mentioned that the 800 to 1,000 crores fundraise that you're planning on doing if I heard correctly would be through capital markets. If that is the case that's a decently large amount of dilution that would take promoter holding down more than 51%. I think they want 51% at this point. What are your thoughts on that, number one? Second question would be so Tube Investment, the Murugappa Group Company has just acquired or rather hiked their stake in a company called IPLTech Electric, the Haryana based electric truck company. So, what are your thoughts on that?
- K.V. Pradeep:** First question is yes; we have planned to raise about 800 to 1,000 crores but the existing promoter do not need to dilute any of his stakes. He shall also equally contribute for the original amount whatever the company requires. I hope I have answered your first point. Second point, the tipper which is developed is purely with the in-house developed technology and with our in-house design, we have developed the tipper. We have not, if my understanding is right, you are mentioning that taking over of some company which is not the case from our side. We have not taken over any of the companies nor we have attempted. So, the tipper what has been developed is purely in-house. Hope I'm clear.
- Punit Chokhani:** Yes, absolutely you are clear. I just wanted your sense on the business that is required considering it's an electric vehicle, they supply bus, they supply trucks to all the cement companies is what I read. So, I mean today just to get your sense on what IPLTech Electric, I just wanted your two thoughts on it since you're part of the business. But you answered my question that said. I have just one more question to clarify. You mentioned that you want the factory to be up and running by June-July of next year if I heard that correctly. How if just from a thumb-rule perspective, how long does it typically take to construct the factory of this size once you raise the money?
- K.V. Pradeep:** Yes, it is like this, once we raise the money it should get completed in about 8 months' time.
- Punit Chokhani:** If you have to, for that matter if you have to get the factory up and running by June-July that means you have to raise the money by October-November. That is what I am trying to understand.
- K.V. Pradeep:** Yes, November, we should be in a position to raise the money.

Punit Chokhani: All right. Lastly in terms of this BEST order that is in litigation, there was some press release that was I think put out by the company on BSE talking about how the Supreme Court has put a stay on the order. The next hearing is sometime in September if I read it right. Your two thoughts on that. So how does this litigation work if the Supreme Court has put a stay on the order that was basically put by Tata Motors. I mean can you still supply buses, A? B. how many buses of these 2000 order buses have you already supplied to BEST already?

K.V. Pradeep: The first point is the Hon'ble Supreme Court has, what has happened is the LOA has been released to Olectra and also, we have concluded the agreement with BEST and subsequent to that Tata Motors has approached the High Court of Mumbai where High Court has given the order in favor of Tata duly canceling the. Hanuman shall reply to that.

Hanuman Prasad: I would brief you the case, actually you will understand. Basically, the Evey Trans which is the arm of the Olectra has won the order where in one of the competitors actually Tata Motors moved to the court on the two reasons. One is they have been disqualified, another one is they challenged the giving of Letter of Award to the Evey, before the Honorable High Court of Bombay. So Honorable High Court of Bombay verdict has come saying that disqualifying the petitioner, the Tata Motors is the right decision. At the same time, they set aside decision of the BEST to give the Letter of Award to the Evey. Aggrieved by that, we moved to the Hon'ble Supreme Court. Hon'ble Supreme Court has given a stay on the order of the Bombay High Court only with regard to the set asiding the decision of the BEST giving Letter of Award to the Evey. So, Evey is permitted to go ahead for supplies. This is what the whole crux of the matter as far as pending with the Supreme Court. Do you have any queries on this?

Punit Chokhani: Even though I don't understand litigation. Just from a layman's perspective I want to understand if tomorrow since it's a stay, it's not a verdict that has been come out, that's given out by the Supreme Court. So tomorrow if Supreme Court comes up with a verdict and says that the order or LOA that has to be canceled what happens in a case like that? Because I mean today you are showing us an order book of 3000 odd buses of which 2300-2400 bus comes from one particular state or so to speak or one particular customer. So tomorrow even though I understand the future is potentially very large but what happens in a case so you have already supplied or you have already started supplying buses to BEST and the Supreme Court comes up and says on a worst-case basis that okay you scrap the LOA then what happens in that case?

K.V. Pradeep: See, as far as the case is concerned there is no merit in the appeal of Tata Motors, number one. Number two yes definitely there is a possibility that Hon'ble Supreme Court may say no for it. Now we have supplied 10 buses and Supreme Court has permitted to supply the buses further. In case if something goes wrong, I don't think Supreme Court will say anything against the buses which have already been supplied. So having permitted by the Supreme Court there shall not be an issue for the buses that have already been supplied, point number one. Point number two, the order of the BEST is 2100 whereas we have another 1200 on hand orders. So, in addition to this 1200 buses, also another 1000 buses tender are in pipeline. If it gets finalized in 2-3 months'

time definitely there would be some continuation for the production. There will not be any inconvenience as far as production is concerned.

Punit Chokhani: In terms of the truck, I think last quarter or the quarter before that you had mentioned that you will be in the liberty of talking about some partner that you were trying to tie up with for the truck business. Has that been finalized or has those plans been changed? If you could give us an update on that please?

K.V. Pradeep: We would like to mention that it is completely an in-house design of Olectra Greentech. In accordance to our design, we have developed in the tipper. So, we do not have any partners as far as tipper is concerned.

Punit Chokhani: So where do the batteries and stuff come from for the trucks, for the tippers?

K.V. Pradeep: Again, same batteries will get imported from China.

Punit Chokhani: So those don't come from BYD though that's is a separate company?

K.V. Pradeep: It's a separate company.

Punit Chokhani: Batteries?

K.V. Pradeep: Yes.

Punit Chokhani: And you are not in the liberty of mentioning who that company is, is what I was trying to ask?

K.V. Pradeep: Yes.

Punit Chokhani: And when can we start seeing some traction when it comes to orders or launch of this truck, this tipper business?

K.V. Pradeep: Probably 2 more months.

Moderator: We have the next question from the line of Rithvik Ram, a free-lance investor.

Rithvik Ram: Regarding the fundraising for the expansion of the plan. Is another rights issue, are you looking at the option of doing a rights issue for the fundraising because previously Olectra had plans to do a rights issue but later Olectra was taken over by MEIL? So, is there any chance of a rights issue as a part of fundraising?

K.V. Pradeep: Yes, all the options are being examined by the board. I think coming months definitely we shall come up with a proposal of the fundraising. Probably one of the options may be rights issue.

- Rithvik Ram:** So, the first question is on the rights issue. Second question is on the expansion plans like by when will the annual capacity expand to 10,000 buses per year by, within how many years will the factory expand from? Are you looking a 2-years plan or a 3-years plan?
- K.V. Pradeep:** 2 years. First level we want to expand it for 5000, in next year 10,000.
- Rithvik Ram:** And you are looking at manufacturing e-tipper trucks 500 this financial year for MEIL?
- K.V. Pradeep:** Yes, this financial probably we will be planning around 500 number.
- Rithvik Ram:** And what will be the profit margin on the tipper trucks?
- K.V. Pradeep:** That we shall have to analyze since the commercial production has not yet been started.
- Rithvik Ram:** Because it will be outright sale, that's why?
- K.V. Pradeep:** Yes, of course outright.
- Rithvik Ram:** Any plans of developing our R&D center for manufacturing batteries in the near future?
- K.V. Pradeep:** No, we do not have any such idea.
- Rithvik Ram:** Because like most of the industries are more on self-reliant mode than procuring from China because all the Chinese companies are under clampdown from the ED. So, any plans of having a Non-Chinese vendor for batteries?
- K.V. Pradeep:** See as far as the bus manufacturing companies are concerned none of the OEMs are in a mood to establish the battery manufacturing facility. Same way Olectra is also not having any idea to develop any manufacturing facility.
- Moderator:** We have the next question from the line of Harish Kumar Gupta, an investor.
- Harish Kumar Gupta:** If I understood correctly, I think by June-July 2023 your capacity will be ready, 4000-5000 buses and by June-July 2024, 10,000 buses capacity will be ready. So, do you have like targets that by when these full capacities can be utilized like in financial year '25 we can deliver more than 5000 buses or what are your internal targets?
- K.V. Pradeep:** By '23 July, June-August we are expecting 5000 numbers capacity and '24 we shall be upgrading the facility to 10,000. Now by the year '24, FY24 definitely we are planning to make 5000 numbers in the new facility.
- Harish Kumar Gupta:** So basically, in financial year '24 we are planning to deliver around 5000 buses?

- K.V. Pradeep:** Correct.
- Harish Kumar Gupta:** In that case still operating margins will be in the range of 12% or we can expect a little bit higher numbers because of large capacities utilization?
- Sharat Chandra:** We are expecting 12% which is quite a reasonable margin for 5000 buses turnover. 12% margin will be a decent margin.
- Moderator:** Ladies and gentlemen that was the last question and we will now close the question queue. I would now like to hand the floor back to Mr. Kapil Singh for closing comments. Please go ahead.
- Kapil Singh:** Thank you everyone from the management team and the investors for participating in this call. Sir do you have any closing comments?
- K.V. Pradeep:** Nice. It's good to communicate with so many people and very good questions they have asked and I once again wish to confirm that Olectra is progressing very well and having 3300 numbers on hand. Definitely during this financial year, we would like to deliver 1000 buses and also some of the tenders which are in pipeline once they are completed process, some more numbers get added to this. Probably the next coming financial years the order book goes up and parallelly we shall also plan for the higher number of buses. Equally we are also making the new product development. Apart from the tipper we are also trying to make out some more new products, still the products are in a design stage. Olectra is going to be a very strong electric mobility company. So, this is the assurance from the Olectra's side. Thank you very much for having the belief and trust on Olectra. Thank you very much.
- Kapil Singh:** Thank you Pradeep sir.
- Moderator:** Thank you members of the management and Mr. Singh. Ladies and gentlemen on behalf of Olectra Greentech Limited and Nomura that concludes this conference. Thank you for joining us and you may now disconnect your lines.