



“Olectra Greentech Limited
Q1 FY2024 Earnings Conference Call”

August 10, 2023



ANALYST: MR. RAKESH JAIN - AXIS CAPITAL

**MANAGEMENT: MR. K. V. PRADEEP – CHAIRMAN AND MANAGING
DIRECTOR - OLECTRA GREENTECH LIMITED
MR. SHARAT CHANDRA – CHIEF FINANCIAL OFFICER -
OLECTRA GREENTECH LIMITED
MR. HANUMAN PRASAD – COMPANY SECRETARY AND
COMPLIANCE OFFICER - OLECTRA GREENTECH
LIMITED**



*Olectra Greentech Limited
August 10, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the Olectra Greentech Q1 FY2024 Investor 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rakesh Jain from Axis Capital. Thank you and over to you Sir!

Rakesh Jain: Thank you Afiza. Good evening everyone. Thank you for joining in at this time. Welcome to the conference call of Olectra Greentech for Q1 FY2024. We have from the management side Mr. K. V. Pradeep – Chairman & Managing Director, CFO Mr. Sharat Chandra and Company Secretary Mr. P Hanuman Prasad. Initially we will begin the remarks from the management and we will later take on Q&A. So I will transfer the call to CFO Mr. Sharat Chandra. Over to you Sir!

Sharat Chandra: Good evening, everyone. Mr. K.V. Pradeep- Chairman and Managing Director may be not able to join the call due to exigencies. We are taking as read the presentation which is put on our website along with the safe harbor statement there on. Thank you all for joining the earnings call for Q1 results today. We are very pleased to share with our shareholders that the consortium of our company and associate EVEY Trans has bagged the biggest order from MSRTC for 5150 buses worth about more than 10,000 Crores in this quarter, which is the largest single order in the electric bus industry? The company's net order book position stands at 8344 numbers after delivering 75 numbers in this quarter. We are able to maintain healthy profitability margins despite reporting lower top line in both our standalone and consolidated revenue in this quarter. The top line got impacted due to strict battery compliance norms, which was introduced by Government of India, which has resulted in the deliveries getting deferred. However, we are pleased to inform you that we have received the battery compliance certification for all the models now. We have delivered on a cumulative basis more than 1250 buses till 30th June 2023. We remain committed to contributing towards a clean mobility agenda of the country and look forward to a strong growth trajectory in the coming quarters and years. So I would request for the Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: Good evening and congratulations on great set of numbers. So regarding the guidance of 1200 buses for the FY2024, we have delivered only around 75 buses in this quarter.

Is it possible to meet the guidance and what could be the margins level we can expect on overall yearly basis?

Sharat Chandra: As I mentioned earlier in my introductory message, we have just received the certification norms which was introduced by the Government of India and we are very pleased to obtain for all the models and we are striving to cover the backlog. In Q3, Q4 we are trying to make up the shortfalls which happened in Q1. As far as margins are concerned, we are expecting on overall higher volumes, the margin in terms of percentage will be about 10 to 12% and in terms of value, it is going to go up.

Bala Murali Krishna: Okay understood and regarding that order book, we have around 8000 buses order book which is supposed to get executed within the two years or before that. Do you think it is possible to complete this order book in the next two years because we have a facility of 1500 as of now and next year maybe we may add 5000 facility, but the utilization levels will be low in this facility so is it possible to complete this order book by FY2025?

Sharat Chandra: See we have a timeline of 12 to 24 months and I am talking about the various orders and the new facility is expected to come in the Q4 and with the addition of the new facility, we are confident of completing the orders in 24 months.

Bala Murali Krishna: Regarding the E Tripper, so last quarter we had executed order of parent company.

Sharat Chandra: As of now we have been doing extensively trials and demos in various project sites and construction and mines, so the trials have been very good. So the traction is likely to happen in the coming quarters. The response has been positive so we expect the private orders coming in the next quarters.

Bala Murali Krishna: Lastly last time we have spoken about 10,000 buses tender which is in progress out of that we have received this 5000 order from Maharashtra and what about the balance tenders is it concluded or it is still pending.

Sharat Chandra: Balance are in advantage stage of conclusions? So there are at various stages of conclusions.

Bala Murali Krishna: And we can hope for order win in that tender also.

Sharat Chandra: And the other positive in the current quarter is the BEST order, which has come in our favor.

Bala Murali Krishna: Could you please give a breakup of that 5000 balance tenders from which state and how much it is?

Sharat Chandra: We have about 5150 from the MSRC which is a new order and we have about 2080 from BEST which is from Mumbai. You are talking about the new tenders.

Bala Murali Krishna: Sorry to interfere. I am talking about the tenders which we are supposed to get it. Thank you.

Sharat Chandra: We have BEST about 3000 numbers and other various tenders are there. The major one is the BEST.

Bala Murali Krishna: This is Bangalore.

Sharat Chandra: BEST Mumbai.

Bala Murali Krishna: Okay. Thanks a lot and all the best.

Moderator: Thank you. We have the next question from the line of Rakesh Jain. Please proceed.

Rakesh Jain: Thank you for taking my question. You highlighted that there were some battery norms which led to lower revenue. Could you provide more colour what were those norms and what kind of impact it had and subsequently does it also impact the cost for you and second question is given the size of orders which you are getting, how is the bidding at the moment, what is leading to you being able to get such good incremental orders, how should we interpret the competitive scenario right now?

Sharat Chandra: See as far as the first question is concerned, the Government of India has introduced the safety norms for all the electric vehicle segment especially the battery side because of some incidents in the two wheeler segment. Because of this introduction of norms, so we have to do the testing and certifications. Unfortunately, we do not have the testing facilities in India, so it has to be done on an online virtual basis from China and that is the reason it was taking more time and this is beyond our control. Now that we have completed all the tests and we have successfully got the certifications for all our models. Now coming to the second question with regard to the competitive landscape, see about 50,000 buses tenders are being proposed or planned by CESL. As far as we are concerned, see we have a strong product and we have completed more than 12 Crores kilometers on Indian roads as we speak today with the delivery of more than 1250 buses. So we have a stronger product portfolio and our technology is proven with which we are able to basically gain the customer confidence and meet the customer requirements. See from a technical point of view and even from a financial point of view because the more kilometers you run on a single charge will definitely give more contributions and our product again over a period of time last five years, seven years, we have been working in various different terrains and accordingly, we

have been very competitive and we have been in terms of economics, highly efficient. So we have basically a reliable product in terms of range and in terms of quality in all the parameters our product has been superior.

Rakesh Jain: Where I was coming from is I mean the size of order which we are getting is pretty high relatively so in some scenario where competitors are not able to bid at the price at which you are coming or some competitors have exited the market and you usually provide what is the bidding rate going on at the moment for the tenders you are bidding in buses?

Sharat Chandra: See all the new tenders are coming up without subsidy elements. So the rate per se versus without subsidy is going slightly up. The kilometer it depends on again city to city, application to application. For inter city operations, obviously the more number of kilometers is run so the rates are different. And for intra city based on city to city, the application varies. If there is a requirement to run 200 kilometers, the per kilometer rate is different from requirement to run 150 kilometers. So accordingly the rates will be anywhere between Rs. 50 to 80 per kilometer.

Rakesh Jain: Sure. Thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Rajesh VC an investor. Please go ahead.

Rajesh VC: Thank you for giving opportunity in this session as well. So just a couple of questions which I would like to ask as an investor, so as you can see even though there is an improvement from year to year in terms of the operating profit as well as net profit however from quarter to quarter it has gone down so there is any particular reason for that because that is having an impact on share prices also so that is number one and number two we also heard that I think in the past there was collaboration with Reliance for the hydrogen fuel powered buses as well as ion charging stations so what is the development on those side and how will be the ratio in future in terms of hydrogen powered as well as EV powered buses? Thank you.

Sharat Chandra: Coming to the business performance, quarter on quarter we have been doing very well both in terms of top line and bottom line. As you see last six quarters, we have been doing very well so this quarter as I mentioned to you because of the introduction of these norms that has impacted. Other than that if you see the operating margins are maintained at healthy levels that is as far as your first question is concerned. Second question on the Reliance tie up, hydrogen we have developed the proto and it is a testing phase as this new technology is nascent, it will take some more time for the product to come out in terms of commercialization. So today we cannot actually form any opinion or give any guidance with regard to what will be the ratio of hydrogen versus EV.

- Rajesh VC:** Noted. Thank you. Thanks a lot.
- Moderator:** We have the next question from the line of Gursharan from GMA Advisors. Please go ahead.
- Gursharan:** Just wanted to figure out about the fundraising activity. It is like pending since quite long. We were just having a look at Mahindra's like already without having started production, their valuation is around \$9 billion whereas we have claimed to be the largest manufacturer of buses in the country, electric buses and our market cap is only 1 billion and they have already raised 1200 Crores without even starting production so where is the hitch? Where are we stuck? Since last year, we have been mentioning every time on the call that yes, we are expecting it to be done. Is there any hitch here?
- Sharat Chandra:** I think just to answer your question, we have been definitely working on raising funds for equity because of the market was not conducive. As you will see right from January onwards till August not many deals have happened on the QIP front okay and the market has been volatile and of course unless the market is stable, I think investors definitely would look forward to wait. We have clearly a mandate from the shareholders who have approved it in the last AGM and the board. We still continue actually exploring the possibilities. In the interim since with the approval of shareholders, we have awarded the contract to MEIL which is a L1 vendor for the construction of the plant. Now the plant construction activity is going on. We have given the LOA on 19th July. MEIL with their reputation of turning around turn key projects in quick turnaround, we are expecting in Q4 to start commencement of production in the new plant.
- Gursharan:** I wanted to figure out like the money we want to raise from the financial investors or from strategic investors.
- Sharat Chandra:** See basically it is going to be private investment. We have basically taken approvals and we are working hard for the QIP.
- Gursharan:** Listen, what I was trying to figure out like type of investor which we are looking on investment do you want financial investors or do you want strategic investors like we want money from people who can give us technology who can be our shareholders for maybe several years.
- Sharat Chandra:** Yes we are looking for good profile for an institutional investors who will remain invested like for example in our portfolio we have Nomura, Jupiter, Black Rock, Goldman Sachs, They have been there for quite some time and we are looking for investors like them to invest into our portfolio and who will stay invested for a longer period of time.

- Gursharan:** Exactly you are looking out for financial investors only you are not looking for strategic or technology investor.
- Sharat Chandra:** No No.
- Gursharan:** Okay while you have successfully launched your tripper, I just want to understand are we also working on some heavy trucks etc also?
- Sharat Chandra:** Yes, we are doing trials. Now for electric tripper it took more than a year for doing trials and we are working on various product portfolio within the trucks and tripper segment.
- Gursharan:** Okay because Eicher has already launched though we are supposed to be leaders, we are wondering like how come we stayed behind?
- Sharat Chandra:** See we have already commercially launched last quarter itself. Commercially sold electric trippers and we are working on various products within the trucks and tripper segment and our trials have been getting positive response and we are expecting good orders in the coming quarter.
- Gursharan:** Only last question Sir. I wanted to figure out like should there be reason there be delays like this time we had impacted certification delay, earlier it was supply chain issues, now should there be delays and we not see deadlines of these tender will the penalties accrue on the company. Are we confident enough that yes, we will meet all the deadlines and there will be no penalty on the company.
- Sharat Chandra:** I think we have earlier discussed this aspect. What is happening is EV Buses in terms of operational efficiency ,in terms of economics makes a huge sense for the STUs. So there has been delay from both sides. Okay because from STU scope of work they have to create the space for depots and they have to get a power connection and from EVEY side we have to deliver the buses and build the charging infra. So we have now created good order book now we are creating capacity and we are confident of executing all the orders within the next 12 to 24 months.
- Gursharan:** That is really encouraging. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Smita Mohta from Kredent InfoEdge. Please go ahead.
- Smita Mohta:** So there are couple of questions. One is regarding the technological partnership that you have with BYD, with the recent problem that BYD not coming into and government not

allowing and your partnership finishing by FY2025 so do you think that technological knowhow would be again restarted post FY2025. Are in you talks regarding the same.

Sharat Chandra: I think we started our journey in 2015 with BYD and we have been working together and we have a very strong R&D team. Basically we have been working internally to create new product portfolios, new products line and initially as you were aware we were dependent on BYD as a technology partner. With very strong internal R&D team we have been developing and acquiring the knowledge transfer from BYD and BYD is definitely looking forward to extend the relationship beyond 2025. So we have a very, very strong relationship with BYD and we are confident that these relationship will go beyond 2025.

Smita Mohta: But BYD wants to launch new products which is why they approached MEIL for the same in which the government refused to allow BYD with MEIL to produce products in India so regarding that if they are producing new products with you all with the technology transfer, so then why are they looking for product launch by themselves in India and want to become a major player in India in this stream? So do you stand any chances of having problems in future with BYD?

Sharat Chandra: We are not foreseeing any problems as such because we are having a strategic tie up. We are sourcing like all the OEMs battery cell and some critical components related to power trains. Other than this, we have localized majority of the components required for manufacturing the bus and as you are aware PLI scheme has been introduced by government of India and few Indian companies have started manufacturing batteries in India. Definitely in 2-3 years time these companies will definitely be in a situation to supply the batteries and in terms of technology and in terms of cost, we are able to get from the local Indian companies, we are open to actually buy source the batteries from Indian companies.

Smita Mohta: Okay got it. Sir one more thing you had said that for FY2024 your E buses expectation of sale was 2500 and tippers 1200. So I would like to understand that with the current order book that you have, you said that your 12 metre buses has more margin than the 9 metre buses so as per the current order book which bus orders will you have more.

Sharat Chandra: See basically it again depends on application of various cities and number of kilometers run. So in terms of the current order book we have more of 12 meters.

Smita Mohta: Okay that is good.

Sharat Chandra: The first question I was not very clear. What was your introductory message?

- Smita Mohta:** My introductory question was that you have given a guidance of E buses and tippers which we can expect to be delivered by for FY2024 so which was 2500 and 1200 right.
- E buses 2500 and tippers 1200.
- Sharat Chandra:** I think slight correction 1200-1500 buses/tippers is the guidance we have given for this financial year, 2,500 is for the next financial year.
- Smita Mohta:** Okay got it. So will you be able to exhibit this guidance?
- Sharat Chandra:** We are striving to make up the shortfall of Q1 in Q3 and Q4 and we are striving to do 1200 buses/ tippers.
- Smita Mohta:** Lastly Sir. MEIL did not put in any money. Instead you gave the order to the MEIL for the construction of facility with which you will be able to do business from Q4 onwards so this order that you have given to them worth earlier say around 400 Crores so where will that money come from will it be internal accrual or you are looking out for any funding and if you looking out for it then what is the interest rate which you will be comfortable in getting that funding?
- Sharat Chandra:** Basically we are looking at internal accruals and maybe interim loans till the QIP is finalized and we expect the rate between 8 to 9% in case we go for a debt.
- Smita Mohta:** Okay and which quarter can you says is best for your according to your business culture historically and where do you see the competition because now even Hinduja is getting lot of orders from the STUs for the buses and all so where do we see this competition headed?
- Sharat Chandra:** Our quarters if you see historically we have been doing very well in Q3 and Q4 and as far as competitive landscape is concerned, there is enough space for everyone to come in because huge opportunity for the EV segment with the push from government of India and with the capacities all put together will not be able to meet the requirements as of today. So it again boils down to the product technology and in terms of performance and all the parameters like the range, on a single charge how much kilometers we can run and in terms of operational efficiencies. So there is enough space for everyone because the ecosystem in just the EV segment in terms of buses is just taking off. Still we can say it is nascent in India.
- Smita Mohta:** I just wanted to know Sir where do you see yourself in this league five years down the line at which number.

- Sharat Chandra:** We definitely strive to be the leader. We intend to have the leadership position in this segment.
- Smita Mohta:** Currently, what market share do you have Sir in the buses.
- Sharat Chandra:** About 35%.
- Smita Mohta:** 35.
- Sharat Chandra:** Yes.
- Smita Mohta:** That is it from my side. Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Chethan Dhruva from Chethan Dhruva Investments. Please go ahead.
- Chethan Dhruva:** Thanks for the opportunity. Sir one quick question and clarification that I needed was regarding your guidance, right. So you had talked about 1200-1500 buses for this year and cumulative of 8000 buses being your order book and that would be delivered in 12-24 months so I am assuming end of FY2025. So you are essentially saying that for next year you will be doing almost six and half thousand buses is that correct to understand.
- Sharat Chandra:** Next year we are targeting about 2500 buses.
- Chethan Dhruva:** But then how will you meet the 8000 buses requirement in two years.
- Sharat Chandra:** We are talking about spilling over into financial year 2025-2026. We have basically timelines to cover in 24 months from now. So, we are building the capacity. We will strive to do more but on a conservative number we are saying 2500 numbers is minimum which we want to do next financial year.
- Chethan Dhruva:** But that conservative number seems to be way of the market even if you assume spill over August to August, two years still a big chunk has to be completed next year.
- Sharat Chandra:** See basically if you talk about 8500, if you do 1200 this year and 2,500 by next year we will have about 4500 buses remaining.
- Chethan Dhruva:** Right and over three months by five months basically. So you are saying essentially there will be big ramp up in FY2026 initially itself?
- Sharat Chandra:** And the capacity we are initially targeting 5000 which can be expandable to 10,000.

- Chethan Dhruva:** Okay and you had also mentioned earlier that your current factory can also be run in multiple shifts, right? Because 1500 is just for one shift.
- Sharat Chandra:** Yes correct.
- Chethan Dhruva:** So you are not planning to increase any shifts or such plans to meet higher number of buses for FY2025, to produce higher number of buses.
- Sharat Chandra:** Yes we will parallelly plan that also.
- Chethan Dhruva:** Okay so the way I am reading then two and half thousand is a very, very conservative number. Okay thanks for that Sir. I think the other question I was on the BYD partnership and you already clarified to the previous participant. So thank you for the time and good luck for the future quarters.
- Moderator:** Thank you. We have the next question from the line of Nihar Mamtura an investor. Please go ahead.
- Nihar Mamtura:** I am just following up on the ability to deliver on to the order book because if I understand the order book is about 8000 buses. So how is that going to get staggered between current financial year and the next two financial years.
- Sharat Chandra:** I think we have mentioned earlier about 1200 is what we are targeting to complete in this financial year and the next financial year, minimum 2500 is what we are targeting and the balance, we would like to do it in 2025-2026 so that means 1200 now, 2500 and the balance will be about 5000 numbers will be in financial year 2025-2026.
- Nihar Mamtura:** Just a following up question, if you get any other order then are you saying that the company cannot supply anymore buses and everything is going to get pushed out to 2026-2027?
- Sharat Chandra:** See we are working on now currently very less utilization of our capacity. So we can basically do 1500 in this plant on a single shift basis which can be increased. So if we get orders we can ramp up.
- Nihar Mamtura:** So if I just go with numbers, capacity numbers in the current year with the current plant what is the capacity?
- Sharat Chandra:** Currently plant we have a capacity of 1500 on a single shift.
- Nihar Mamtura:** On a single shift and it can become effectively 3000 on a double shift.

Sharat Chandra: It can yes 2500 to 3000. Basically any plant we can produce at about 80-85% efficiency so we cannot double on a mathematical calculation 1500 to 3000 so on 80% capacity or 80-85% efficiency about 2500.

Nihar Mamtura: Okay and what about the capacity for next year.

Sharat Chandra: Next year we will have a new plant coming in fully 5000 and based on the order book we can operate two plants.

Nihar Mamtura: So then would it be fair that see the current plant can produce about two and half thousand buses then next year once the new plant depending on which quarter it becomes operational, so when is the new plant going to be operational.

Sharat Chandra: Last quarter this year we are targeting to start because we want to do in a granular manner. We are not waiting for the entire plant to be ready. As soon as we go in a granular shed wise, once the assembly section is ready we can start parallely working in both the plants and again I want to repeat we want to be very conservative. We are building up capacity to meet and complete all the existing order book.

Nihar Mamtura: So fair enough and it is good to be conservative. The number then will be two and half thousand from current plant and the new plant in the next financial year can probably give about 3000 to three and half thousand buses so effectively it can be about five and half to 6000 buses that our company can produce next year, the order book can be finished of next year.

Sharat Chandra: Correct.

Nihar Mamtura: I know capex has been approved for the new plant but any other additional capex or high ticket expenses required to kind of get this going next year.

Sharat Chandra: Now once the plant is built we are building for 10,000 numbers and as far as the plant is concerned maybe balancing equipment will be required for adding the capacity so which may not be very significant which could in the region of 100 to 200 Crores.

Nihar Mamtura: Okay and any risk because if there is any imported item and there could be restrictions if it is coming from China do you anticipate any risk call out.

Sharat Chandra: See we are basically gearing up. We are gearing up for that. That is the reason we have been working on localization and we have successfully developed local vendors for all the components except the battery cells where the entire industry is dependent, not only India across the globe, dependent on China, for the battery cell and some of the components

relating to power train and now that the Indian companies have started making the battery manufacturing so in two to three years time the Indian companies will be ready and depending on the technology and the cost, we are open for discussions.

Nihar Mamtura: And Sir the last question. I mean from a manpower standpoint is it adequately available trained resources to cater for this demand or the expansion?

Sharat Chandra: Yes.

Nihar Mamtura: Okay that is for me. Thank you so much and all the best.

Moderator: Thank you. We have the next question from the line of the Madhusudhan Khaitan an investor. Please go ahead.

Madhusudhan: There was a statement by your leading competitor they are not bidding for the STUs as there are payment issues therefore are just staying away from the STU space so what is your take on that?

Sharat Chandra: See our experience is different. As far as the payment from STUs are concerned, it is not going to impact Olectra because Olectra is in the business of manufacturing and selling the buses. The concessionaire or the bidder which owns the buses, operate the buses to STU basis on a per kilometer basis and as far as the concessionaire is concerned, the operating company is concerned, their experience has been different, they have been able to collect from the STUs about almost 80% within 60 days and 20% within 90 days. So I am not sure, about the competitor issues.

Madhusudhan: Okay thank you Sir and wish you all the best.

Moderator: Thank you. We will move to the next question from the line of Rajesh Pandey an investor. Please go ahead.

Rajesh Pandey: Hi a very good evening to all. My question is more on the long term business plans - that you have. So have you done a backward working sort of what would be the market size 10 Years from now and accordingly where we would like to position ourselves in terms of the market share that we want to have and then of course depending upon that what would be the capacity requirement and how are we kind of preparing for that that was question one and second is supposing you want to set up a Greenfield capacity expansion what is the normal gestation period you would take to kind of build fresh capacity completely on Greenfield basis see because that would kind of drive your future volumes and we know that there is going to be a good amount of demand in the years to come because the

competition is also kind of closing up on you guys. And finally what is our expansion plan on the insulator division because there also there has been a bit of a though the volumes are still less because it does not form a big chunk of your P&L and balance sheet but what are our plans around it and then of course there has been a degrowth from the March quarter there also and is there also a dependency on the battery certification which you mentioned earlier on the call.

Sharat Chandra: See as far as long term business plan is concerned, the TIV of bus industry is about 1.8 million and about almost 1 to 2 lakhs will be the requirement on a yearly basis and these are the expectations between next five years time and with these recent Government of India policy to scrap old vehicles actually beyond 15 years I think there is a huge opportunity as you have mentioned. There is a huge demand. Requirements will go up significantly. We would strive where we intend to be having a leadership position as far as electric vehicle segment is concerned. Because we are a pure electric company as against the competitors. As far as positioning as I mentioned to you, we want to be the leader in this space. And as far as Greenfield facility is concerned, we are already in the process of setting up the new plant to meet the current order book and as per our understanding is concerned within 12-18 months a new plant can be set up.

Rajesh Pandey: Okay and what are our business plans around the insulator division. I did not really quite understand exactly the product per se and how you want to kind of scale up that segment as well?

Sharat Chandra: I just mentioned to you insulator segment is a niche segment. This is a technology again introduced by our company. This is a composite polymer based insulator against the conventional porcelain. Mr. Rajesh, you had questions on the insulator segment, so I was mentioning to you this insulator business is a niche business. We have introduced this technology in the country. This is a composite polymer based insulators against the conventional porcelain. The market is not unlimited. The market size is currently about 350 to 400 Crores and we have a market share about 35-40% and we have been focusing in the recent past on exports to a very large customer in US. And as of now the market is not unlimited as I mentioned, so we will continue to positioning ourselves as a market leader in that segment as well.

Rajesh Pandey: Okay thanks very much.

Moderator: Thank you. We have the next question from the line of Anil an investor. Please go ahead.

Anil: Hi good evening to you. See we have market share of 35% and we say that we are going to deliver in next to 24 months 8500 buses. And do you mean to say that next two years Indian

market will witness only 25,000 buses to be rolled on? In that case then only we will be able to maintain the market share otherwise I think the number what you are projecting as per in line with the capacity or the delivery what we are seeing for the last two quarters or three quarters or one year we are going to lose the market share very drastically.

Sharat Chandra: To answer your question, currently the market share is 25% on numbers when we say about 10,000 odd buses and as we talk about 50,000 numbers, what I mentioned to you is we want to have a leadership position. I am not talking about what is the percentage. We want to be a market leader definitely having leadership position. As we talk about 50,000 numbers obviously our market share will translate to about 12,500 numbers.

Anil: I am just rephrasing my question. What I am saying is that if you are saying 25% market share is our target. If 25% is the market share is our target for next 2 years and which is nothing but 8500 buses let us say 10,000 buses, India is going to witness in next 24 months only 40,000 buses that's not going to be the market share. That's not going to be the market size. I am saying about our plan. I am talking about our plan. Our plan is to just deliver 10,000 buses in next two years which means you mean to say India is going to witness only 40,000 of electric buses in next two years. There is mismatch in what India is going to witness the roll out of the buses and what we are building our capacity and what we are planing to deliver.

Sharat Chandra: When we talk about our share if you convert that 40,000 buses obviously including all competition today currently nobody has got that kind of landscape, the capacities and based on the necessity we will ramp up.

Anil: My question is very simple with a target saying that are we going to see that India is going to witness only 40,000 buses roll out in next two years and we are going to contribute 10,000 buses in that and that is why we are going to have a 25% market. Is that the realistic figure what you are forecasting to us, is that clear.

Sharat Chandra: See your question is basically market size will be more than 40,000 that is what you are saying in the next two years.

Anil: Yes. I am saying that average India will witness in the next one year or two years roll out of at least one to two lakh of buses the kind of target which government has set for 2030 and if that is the market share of two lakh buses and we are going to deliver only 10,000 buses in two lakhs market what we are building the capacity it is not in line with the opportunity what we are going to witness?

Sharat Chandra: One lakh or two lakh buses it includes all the euro norm, diesel buses, CNG, hybrid and all that. EV 1 to 2 lakh will happen by 2030 not in next two years and currently none of the companies in India have capacity to meet 1 lakh or 2 lakh buses.

Anil: No we are talking about period of two years to five years. First, we are talking about two years period so you are going to say that next two years India will witness only 40,000 bus of EV and in that we are going to deliver 10,000 buses.

Sharat Chandra: Correct you are right.

Anil: And I think we are projecting very, very, conservatively. I think we are not in line with aggressiveness of the market which we are going to see in the next 2-3 years. My next question is like recently government has rejected the BYD proposal based on security concern and which is a very, very big concern for all of us. So my question is what is Olectra without BYD.

Sharat Chandra: See as far as the proposal what India you are referring to is nothing to do with Olectra it is not related to electric buses right.

Anil: That is not right see it is a security concern. If we have a tie up in that kind of company in any format in any company it is going to have its own impact what I am asking is what is Olectra without BYD.

Sharat Chandra: As we have already mentioned earlier we have been working on our own products. We have been introducing new products and we have a very strong R&D team except for battery cells and power train. We are not dependent on BYD. And the other aspect is Government of India rejection is relating to FDI proposal it is not relating to securitization or anything. It is a FDI proposal where they have rejected it but as far as we are concerned we are having strategic tie up with BYD and we are Sourcing all the materials in India except the battery cells.

Anil: Can we please what is the most critical equipment required for having world class bus to roll out? What is the most number one critical equipment which we should have the capability which determines that yes we can continue to have a market share of 25% or 40% in the market what is the most critical equipment we should have. Do we have that technology? Are we making that product ourselves? Do we have the other vendor from whom we can source it other than BYD?

Sharat Chandra: Yes we have been working definitely on our own self and we have been working on new products and it is under testing and definitely the Indian companies have now started

manufacturing electric batteries where definitely we are open to source from them in case of any kind of issues with China.

Anil: So what is the kind of amount we are investing on R&D because we are not able to see that on quarterly disclosure what is the amount we are spending on R&D. I think it is very very critical for us when we are rolling out very different products.

Sharat Chandra: We have more than 50 plus R&D teams okay and then we have been investing on various testing which is forming part of intangible assets that is why you do not see R&D as a cost, it is amortization which comes in and we have introduced as I mentioned to you for example, electric tippers have been developed and designed by us.

Moderator: Thank you. We have the next session from the line of Siddhant an investor. Please go ahead.

Siddhant: Good evening Sir. Sir my first question is regarding the raw material cost. As a percentage of shares this quarter it fell sharply so what was the reason for that.

Sharat Chandra: The reasons for that is the product mix.

Siddhant: Because of that our margins were close to 19% and previously we were doing about 13 or 14%, so can you give us a guidance on sustainable margins.

Sharat Chandra: See basically because of the revenue mix, the operating margins are much better than earlier quarters, but as we have mentioned earlier on a sustainable basis the margins we are expecting between 10 to 12%.

Siddhant: Sir when you say that it is because of the revenue mix does it highlight that we sold more of the 12mm buses as compared to the 9mm.

Sharat Chandra: It is basically on account of operating revenues also where we have higher EBITDA margins.

Siddhant: Okay and Sir my second question in the last con call we had mentioned that because of the battery norms we could not push the sales of electric tipper so nothing was mentioned on front of the buses and this time we are hearing that it is because of the battery norms that we could not sell more electric buses so just some clarity on the whole scenario Sir. Exactly what has happened and what is happening.

Sharat Chandra: I think electrical tippers we never mentioned about any battery norms. We were mentioning that we have been doing lot of trials and demos and we got a first order for about 20 tippers

out of which about 17 were delivered. Battery norms were going on for the last six months and government has become strict in enforcing these norms.

Siddhant: Okay and now we have all the required clearance.

Sharat Chandra: Yes we received all the clearances now.

Siddhant: Okay and Sir when we have such a healthy order book and we have capacity of 1500 are we looking to do double shift in this financial year itself.

Sharat Chandra: We will work towards to it but it is not easier for an engineering company like electric to immediately shift to double shift. We have to work in a granular manner and that is the reason we said we want to strive and then do more sales in Q3, Q4.

Siddhant: Okay. Thank you Sir and all the best.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the conference back to the management from closing comments. Please go ahead Sir.

Sharat Chandra: Thank you everyone for attending this earnings call. Overall, we are pleased to inform that with the battery compliance certificate for our model we are confident of making up the shortfall in Q1 in the next quarters and we are definitely looking at double digit growth compared to last year in terms of top line and bottom line and we look forward for your support. Thank you so much.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.