

## Retail Equity Research

# Greaves Cotton Ltd

**CMP Rs. 279**

**Rating: Overweight**

## Engines

**NSE CODE: GREAVESCOT BSE CODE: 501455**

Greaves Cotton reported Q2 FY25 sales of ₹705.31 crore, reflecting 10% QoQ growth despite a challenging macroeconomic environment. Expenses grew by 11% sequentially, compressing operating profit by 16% to ₹23.03 crore. Declining other income (₹9.48 crore) and higher interest costs further pressured profitability. Profit before tax dipped to ₹1.81 crore, while net profit contracted sharply to ₹3.22 crore, a 220% QoQ decline.

The company's diversified strategy, including its growing Electric Mobility segment, remains a strong growth driver, though operating margins are under pressure from rising costs. The sequential growth in sales signals resilience, but subdued profitability highlights the need for improved cost management and strategic execution. While long-term prospects are intact, near-term headwinds like volatile input costs and weak operating leverage warrant caution. Investors should monitor management's cost optimization measures and efforts to enhance profitability across segments for sustained performance.

### Company Data

Market Cap (cr)	Rs.	6,390.92
Enterprise Value (cr)	Rs.	2,703.72
Outstanding Shares (cr)		23.25
52 week high	Rs.	320.00
52 week low	Rs.	112.00
1m average volume (lacs)		248.48
Face value	Rs.	2.00

	FY22	FY23	FY24
Sales	1709.7	2699.45	2633.19
Growth(%)	14%	58%	-2%
EBITDA	44.74	181.18	-179.48
EBITDA Margin(%)	2.6%	6.7%	-6.8%
PAT	-35.30	78.03	-135.27
Growth(%)	-88%	321%	-273%
EPS	-1.5	3.4	-5.8
P/E	-125.2	37.4	-21.7
P/B	5.9	1.8	2.0
EV/EBITDA	102.3	13.3	-15.1
ROE(%)	-5%	4.9%	-9%
ROCE(%)	-1%	7.7%	-17.3%
ROIC(%)	-3%	5.2%	-26.0%
D/E	0.34	0.02	0.06

### 1. Company Overview and Strategic Vision

Greaves Cotton is transitioning from a traditional engine company to a fuel-agnostic mobility solutions provider, focusing on consumer-centric and sustainable lifecycle value creation. With diversified revenue streams and growth in the B2C segment, the company targets ₹15,000 crore in revenue by 2030, leveraging multi-fuel models through organic growth and acquisitions.

### 2. Financial Performance and Growth Metrics

In Q2 FY25, consolidated revenue reached ₹705 crore, led by strong performance in the Electric Mobility division, which contributed ₹175 crore. Standalone EBITDA rose by ₹9 crore with improved margins. The company reported a 16% return on capital, near-zero debt, and ₹350 crore in cash reserves. Excel contributed significantly, with strong profitability and export revenues.

### 3. Key Business Insights and Market Position

Diesel three-wheelers showed strong demand, while the Retail and Electric Mobility divisions expanded with new product launches and distribution growth. Electric Mobility saw strong volume increases, aided by cost optimization and strategic partnerships. Despite external challenges, management is confident in sustaining growth and improving profitability across segments.

## Key Highlights

### Diverse Business Segments:

Greaves Cotton Ltd. operates across multiple business verticals, including engines, electric mobility, cables & control levers, and others.

**Engines Segment:** Contributed 61% of revenue in FY24 (down from 64% in FY22), focusing on manufacturing diesel, petrol, and CNG engines, along with power gensets and power tillers. The non-auto engine range spans 1.5 HP to 700 HP.

**Electric Mobility Segment:** Accounted for ~23% of revenue in FY24 (declined from ~31% in FY22). The company, through its subsidiary Greaves Electric Mobility Pvt. Ltd. (GEMPL), produces electric two-wheelers (e-2W) and electric three-wheelers (e-3W) under brands such as Ampere and Greaves Eltra.

**Cables & Control Levers Segment:** New contributor in FY24 with a 9% revenue share, manufacturing control levers, cables, pedals, and operators.

**Other Segment:** Represents 7% of revenue in FY24, comprising Greaves Care, aftermarket spares, retail vehicle financing, and engineering services to OEMs.

### Leadership in Market Share:

Greaves Cotton remains a leader in India's three-wheeler engine market.

The Ampere brand ranked fifth in electric mobility with a market share of 2.8% in Q4 FY24, reflecting its competitive presence despite challenges in the e-mobility sector.

### Sales Volume Trends:

Significant growth was observed in auto engines (88,800 units in FY24 vs. 41,300 in FY22) and non-auto engines (47,400 units in FY24 vs. 39,300 in FY22).

In the electric vehicle segment, e-2W volumes declined to 47,800 units in FY24 from 51,700 units in FY22, while e-3W sales increased to 13,600 units in FY24 from 10,300 units in FY22. The decline in e-2W volumes is attributed to subsidy reductions under the FAME-II scheme and the company's deregistration from the program, which weakened its price competitiveness.

### Robust Manufacturing Infrastructure:

The company operates eight factories across India. The Ranipet facility, dedicated to electric scooters, boasts an annual production capacity of 5 lakh units, demonstrating its scale and commitment to the electric mobility segment.

### Expansive Distribution Network:

Greaves Cotton's extensive distribution network includes over 9,000 retail outlets, 200+ distributors, 20,000+ mechanics, and 700+ stores. This vast reach underpins its market penetration and customer service capabilities.

### Strategic Product Launches:

In FY24, the company introduced the Greaves Eltra City, an electric three-wheeler passenger vehicle, and the Nexus in the electric two-wheeler category during Q1 FY25. It also launched CPCB IV+ compliant gensets in July 2024, aligning with regulatory advancements and market demand for eco-friendly solutions.

### Acquisitions to Drive Growth:

In May 2023, Greaves Cotton acquired a 60% stake in Excel Controlinkage Pvt. Ltd. for Rs. 237 crore. Excel contributed Rs. 263 crore in revenue for FY24, a 41% YoY growth, representing a 10% share of total revenue. This acquisition strengthens Greaves Cotton's capabilities in push-pull cables and control levers.

**Quarterly Financial Consolidated**

**Profit and loss account**

**(Rs Cr)**

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	726.69	665.38	672.53	639.70	705.31
Growth(%)	28%	-8%	1%	-5%	10%
Expenses	680.79	630.02	648.79	612.41	682.28
Operating Profit	45.90	35.36	23.74	27.29	23.03
Growth(%)	419%	-23%	-33%	15%	-16%
Other Income	-365.06	61.58	10.97	16.96	9.48
Depreciation	19.15	20.33	28.18	26.05	26.43
Interest	2.21	2.27	3.04	2.94	4.27
Profit before tax	-340.52	74.34	3.49	15.26	1.81
Tax	34.07	28.74	16.84	15.42	16.14
Net profit	-190.78	58.03	2.56	10.32	3.22
Growth(%)	-97%	429%	-2167%	75%	-220%

**Financial Consolidated**

**Profit & Loss**

**(Rs Cr)**

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	1,910.96	1,500.40	1,709.70	2,699.45	2,633.19
Growth(%)	-5%	-21%	14%	58%	-2%
Expenses	1,700.56	1,420.68	1,684.58	2,572.91	2,542.60
Operating Profit	210.40	79.72	25.12	126.54	90.59
Growth(%)	-23%	-62%	-68%	404%	-28%
Other Income	24.60	-26.15	19.62	54.64	-270.07
Depreciation	60.94	60.43	58.73	56.68	84.39
Interest	5.07	6.93	5.34	11.69	9.23
Profit before tax	168.99	-13.79	-19.33	112.81	-273.10
Tax	41.72	4.99	15.97	43.06	94.17
Net profit	129.17	-18.78	-35.30	78.03	-135.27
Growth(%)	-22%	-115%	-88%	321%	-273%

**Balance Sheet**

(Rs Cr)

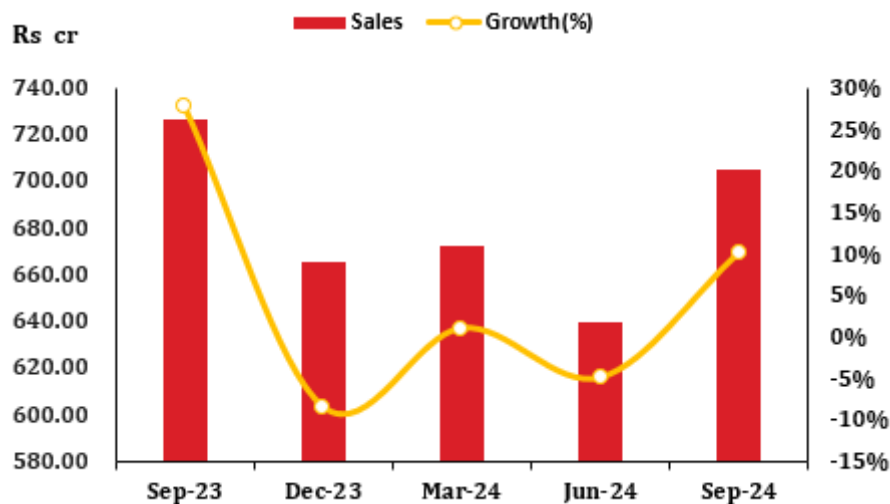
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	46.24	46.24	46.30	46.33	46.40
Reserves	752.51	736.27	703.00	1,540.21	1,393.83
Borrowings	27.98	20.25	257.36	28.26	80.75
Other Liabilities	412.90	476.96	628.52	1,102.79	922.84
<b>Total</b>	<b>1,239.63</b>	<b>1,279.72</b>	<b>1,635.18</b>	<b>2,717.59</b>	<b>2,443.82</b>
Net Block	380.48	372.22	363.50	368.68	824.89
Capital Work in Progress	68.57	74.95	81.62	82.56	62.67
Investments	2.83	0.51	16.38	123.33	156.69
Other Assets	787.75	832.04	1,173.68	2,143.02	1,399.57
<b>Total</b>	<b>1,239.63</b>	<b>1,279.72</b>	<b>1,635.18</b>	<b>2,717.59</b>	<b>2,443.82</b>

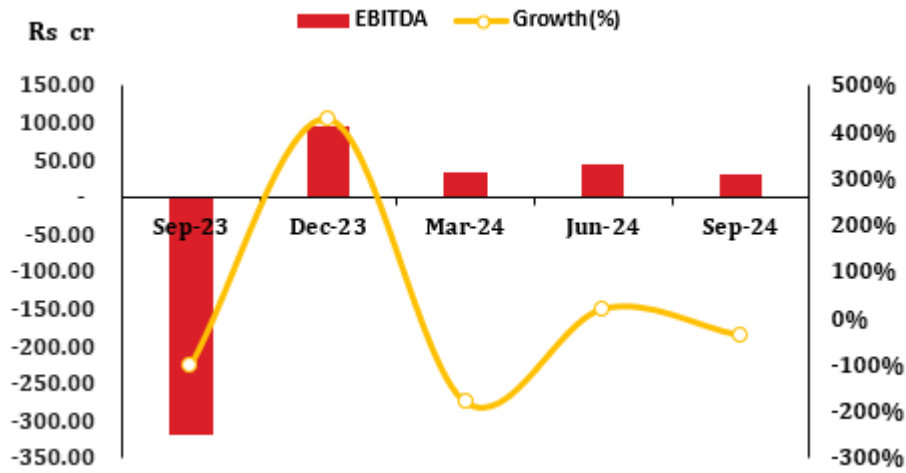
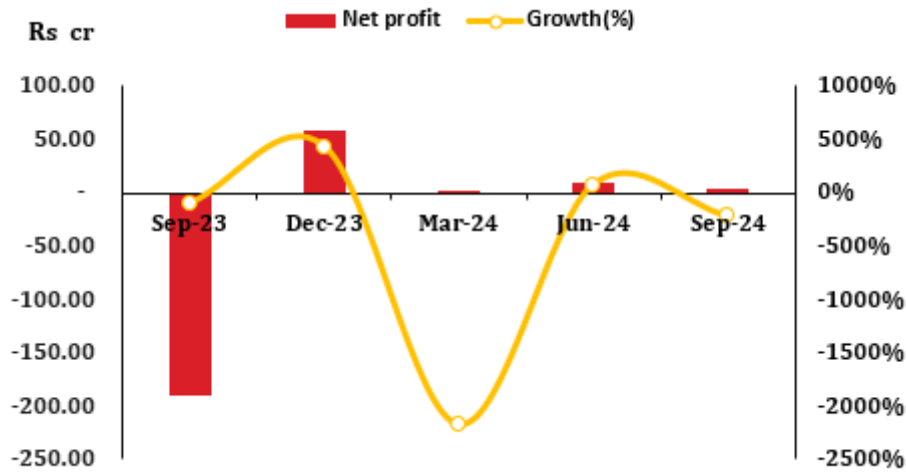
**Cash Flow**

(Rs Cr)

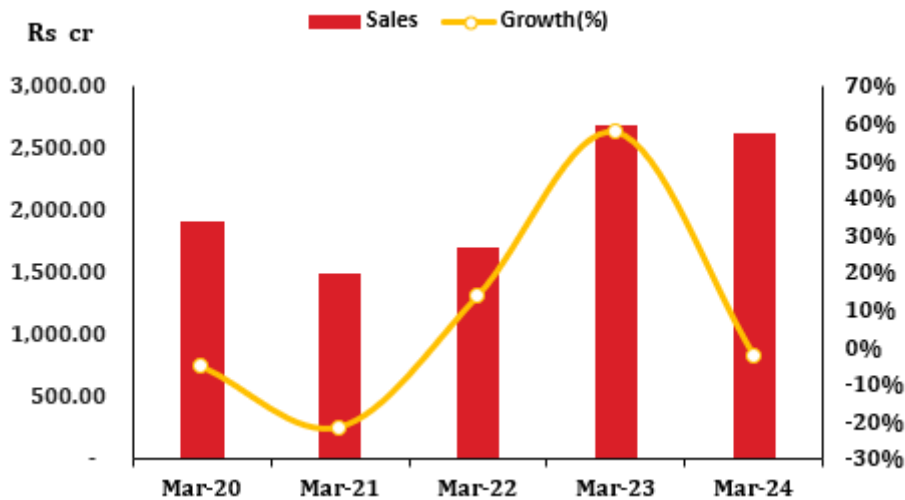
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	101.63	146.8	-56.28	-135.16	-153.04
Cash from Investing Activity	255.03	-107.54	-238.12	-757.68	246.44
Cash from Financing Activity	-241.01	-19.99	210.02	888.59	-32.01
Net Cash Flow	115.65	19.27	-84.38	-4.25	61.39

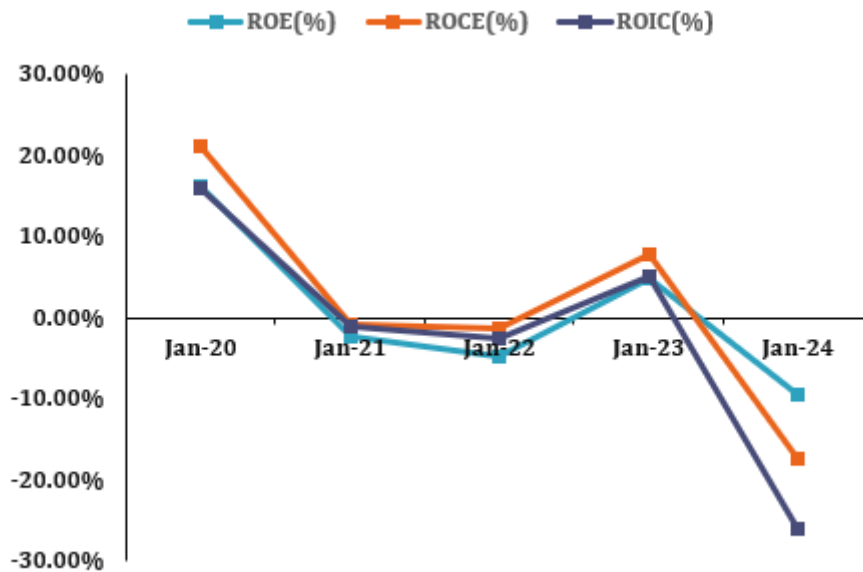
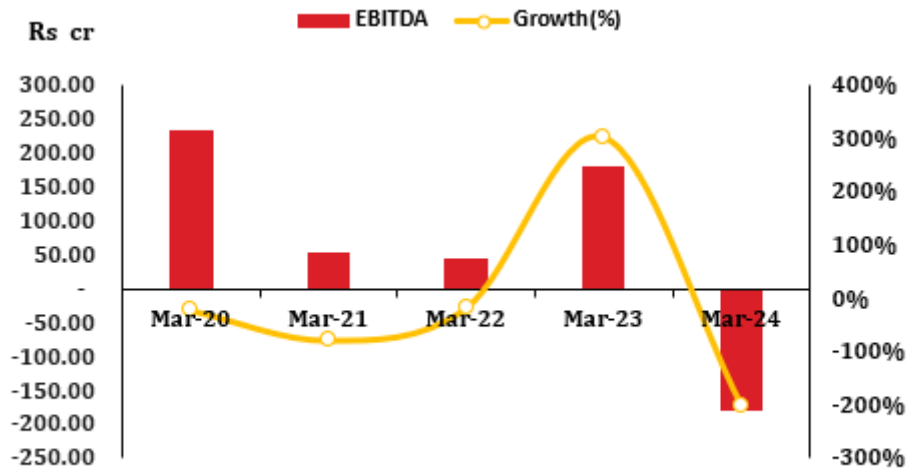
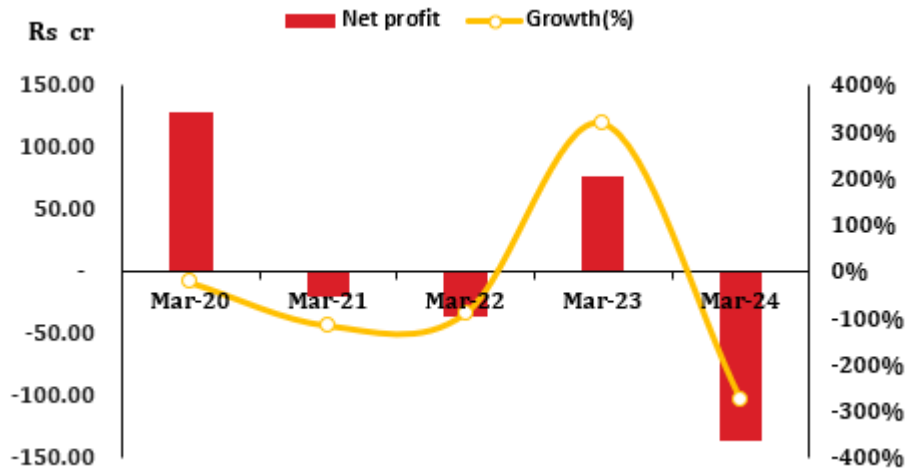
**Key Metrics: Quarterly**





**Key Metrics: Yearly**





**Key Ratio:**

<b>Leverage Ratios</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
D/E	0.04	0.03	0.34	0.02	0.06
Debt/Assets	0.02	0.02	0.16	0.01	0.03
Debt/Ebitda	0.12	0.38	5.75	0.16	-0.45
Debt/Capital Ratio	3%	3%	26%	2%	5%
Cash flow/Debt	3.63	7.25	-0.22	-4.78	-1.90
Interest coverage ratio	34.33	-0.99	-2.62	10.65	-28.59
Sales Change	-5%	-21%	14%	58%	-2%
Ebit Change	-29%	-104%	-104%	990%	-312%
Operating Leverage	4.38	2.89	-4.91	6.97	11.57
Financial Leverage	1.55	1.64	2.18	1.71	1.70

<b>Efficiency ratios</b>					
Receivable days	49	51	40	22	33
Receivable turnover	7.49	7.18	9.17	16.25	11.14
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	9	8	9	12	9
Net Fixed assets turnover	5.02	4.03	4.70	7.32	3.19
Sales/capital employed	2.31	1.87	1.70	1.67	1.73
Total Asset Turnover	1.54	1.17	1.05	0.99	1.08

<b>Profitability ratios</b>					
Ebitda	235	53.57	44.74	181.18	-179.48
Ebitda margin	12%	4%	3%	7%	-7%
Gross Profit	535.03	366.1	384.42	653.49	709.66
Gross Profit Margin	28%	24%	22%	24%	27%
EBIT	174.06	-6.86	-13.99	124.5	-263.87
EBIT Margin	9%	0%	-1%	5%	-10%
ROE	16%	-2%	-5%	5%	-9%
Net profit margin	7%	-1%	-2%	3%	-5%
EPS	5.59	-0.81	-1.52	3.37	-5.83
DU Pont ROE	16%	-2%	-5%	5%	-9%
Net Profit Margin	7%	-1%	-2%	3%	-5%
Sales/Total assets	1.54	1.17	1.05	0.99	1.08
Financial Leverage	1.55	1.64	2.18	1.71	1.70
DU PONT ROA	10%	-1%	-2%	3%	-6%
Net Profit Margin	7%	-1%	-2%	3%	-5%
Sales/Total assets	1.54	1.17	1.05	0.99	1.08

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	14%	2%	-5%	2%	-7%
EBIT Margin	9%	0%	-1%	5%	-10%
Sales/cap employed	2.31	1.87	1.70	1.67	1.73
NOPAT	131.09	-9.34	-25.55	76.98	-354.86
Capital employed	826.73	802.76	1006.66	1614.8	1520.98
ROIC	16%	-1%	-3%	5%	-23%

Valuation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Price/Earnings	12.45	-157.15	-125.23	37.41	-21.71
Price/Book	2.01	3.77	5.90	1.84	2.04
Marketcap	1,608.00	2,951.27	4,420.49	2,919.32	2,937.12
Enterprise Value	1,446.29	2,691.18	4,577.47	2,406.17	2,703.72
EV/EBITDA	6.15	50.24	102.31	13.28	-15.06



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