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Mumbai – 400 051
NSE Symbol: AMARAJABAT

BSE Limited
Corporate Relations Department,
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BSE SCRIP CODE: 500008

Dear Sirs,

Sub: Transcript of investor conference call

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find attached the transcript of the investor call held on June 1, 2020.

We request you to take on record and acknowledge the same.

Thank you,

Yours faithfully,
For Amara Raja Batteries Limited

M R Rajaram
Company Secretary

Encl.: as above



“Amara Raja Batteries Limited Q4 FY2020 Earnings Conference Call”

June 01, 2020



**ANALYST: MR. ANNAMALAI JAYARAJ - BATLIVALA & KARANI
SECURITIES LIMITED**

**MANAGEMENT: MR. VIJAYANAND S- CHIEF EXECUTIVE OFFICER –
AMARA RAJA BATTERIES LIMITED
MR. Y. DELLI BABU - CHIEF FINANCIAL OFFICER -
AMARA RAJA BATTERIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Amara Raja Batteries Limited Q4 FY2020 Earnings Conference Call, hosted by B&K Securities India Private 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 the 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. Annamalai Jayaraj from B&K Securities. Thank you, and over to you Sir!

Annamalai Jayaraj: Thank you. We welcome all participants to 4Q FY2020 and FY2020 post results conference call of Amara Raja Batteries Limited. We have with us today Mr. Vijayanand S, Chief Executive Officer and Mr. Delli Babu Y, Chief Financial Officer. I will now hand over the call to Amara Raja management for opening remarks to be followed by the question and answer session. Over to you Sir!

Vijayanand S: Thank you Mr. Jayaraj and good afternoon everyone who has joined this evening on this call. It is very unusual time that we are engaging on this considering what we are going through due to the COVID-19 infection, something that is impacting the whole world, something that many of us probably were not prepared to the extent of the impact it is having on how we are conducting our businesses. Not only businesses, how we are conducting our personal lives as well.

We had our Board meeting day before yesterday to review the annual financial results of FY2020. FY2020 per se has been a challenging year for many reasons, the overall economic scenario has been not too very encouraging. Particularly certain segments that we have our presence like automotive OE, the telecom sector, continue to have challenges, but I am happy to report that we have had a decent performance on the financials of the company. I would have my CFO, Delli Babu initially take you through the financial performance of the company and I will come back with additional comments after he has provided some insights to the financial performance. Delli!

Delli Babu: Very good evening to everyone and a warm welcome to the call. I will first briefly mention the highlights of the performance of the current quarter and the year as a whole and then we will proceed with the balance of the comments. If you look at the quarter I think we ended up at about Rs.1,581 Crores of revenue, which has a mix of about 30% coming from our industrial side and then 70% coming from our automotive side. Again if you look at on Y-o-Y basis though the revenue growth is flat there was improvement in the overall volumes that we have seen in the automotive side as well as the industrial side. If I look at the volume performance of automotive Q4 per se, we have actually got impacted because of the nationwide lockdown. The four-wheeler segment reported almost a kind of a flat volume growth compared to the last year while the aftermarket has performed better. In the OEMs there was a 20% de-growth on a year-on-year basis. If I look at the full year four-wheeler volumes we have seen a growth of about 2% to 3% with aftermarket growing at about 10% level and OEMs degrowing at almost 22% to 23% and partially this de-growth what we had in OEMs got compensated by growth in exports. And if I

look at my two-wheeler segment in Q4, we have added 2 OEM accounts and that helped us to get some OEM growth. So if you look at Q4 the OEMs have grown at about 25% level because of the new accounts coming in Q4 and aftermarket have grown reasonably at about 18% to 19% level so that culminated the year in terms of two-wheeler at overall volume growth of about 13% aided by a strong aftermarket performance at about 18% and the OEMs degrowing by about 10%.

Now I will move to the next segment, which is our inverter segment. Inverter segment was kind of flat during the quarter. As we know generally March is a month where we see the inverter demand picking up, but considering the lockdown situation obviously this segment has taken some beating because of the COVID lockdown. But if I look at year as a whole even the home inverter business have shown an improvement of about 5% in terms of the overall volumes.

Now I will come to the volume performance as far as industrial side is concerned, we had challenges in the industrial side. Obviously the telecom business was having its challenges. If I look at the year as a whole, we have seen the overall industrial volumes growing by about 5% and we have seen the UPS segment has done well with a growth around 10% though the telecom side of the volumes have shown degrowth of about 5% compared to the last year, but we saw some good demand from telecom during Q4 because if I compare Y-o-Y basis, in Q4 telecom has shown a growth that resulted into a volume growth of about 6%.

So with this volume growth that we had in terms of our various battery segments, the quarter under consideration we have seen a flat revenue growth and if you look at the full year as a whole FY2019 to FY2020 we have seen lead contracting by almost 7% though the volumes have grown the revenue is grown by about 0.8% or so.

In the revenue expenses side there are a couple of exceptional entries that we had during the current year we had some provisions for certain power and receivable delay from BSNL, between these two items on a full-year basis we have taken a hit of about Rs.25 Crores to Rs.30 Crores on our P&L. We hope the BSNL receivables will get collected in the next year and then we hope that will get reversed.

Now in terms of our capex expansion plants we are currently building our third automotive battery plant that will be completing its construction during FY2021. Last year we have expanded our two-wheeler capacity, we have also expanded our four-wheeler capacity, now our four-wheeler capacity with completion of the expansion of second automotive battery plant stands at about 12 Mn in batteries of annualized capacity, while that was added in a phased manner during the last year. Our two-wheeler battery capacity with the recent addition of the capacity what we have done in Q4 will stand around 19 million batteries..

We have not done any significant addition of capacity as far as the industrial segment is concerned, so we will still continue to operate at about 2 billion Ah as a capacity.

So that is the brief on volumes and revenues and the financial performance. The year as a whole we have closed with EBITDA in the range of 16.4% and aided by a the mix in terms of the automotive business was favourable with lesser OEM volumes coming in and also the lead softness also helped us in terms of maintaining better margins, we have been talking about this in many of our earlier calls lead base obviously creates kind of denominator impact in terms of margin percentages, so overall it was a good year where we had challenges in segments like OEM and telecom, but in terms of the lead price being softer on our side so the financial performance reported was possible. With this now I will hand over to my CEO for his comments on the current situation and other comments that he has.

Vijayanand S:

Thank you Delli. I think that gives overall perspective on how the volumes panned out for us in FY2020 and financial performance we could see has been pretty satisfying for us. In one way we see that this is a year where it helped us entrench ourselves stronger particularly in the replacement markets in the domestic markets here both on the four-wheeler, two-wheeler and to some extent on inverter and of course the commercial UPS segment for the industrial business unit. Another thing to talk about is the continued growth we experience in the exports. The first three quarters have seen substantial growth on the export volume in automotive side. Of course by the time fourth quarter came in, quite a few markets have started shutting down because of the COVID issue. So our shipments in March were partially impacted by the COVID, but otherwise year as a whole if we were to take it we have had strong export volume growth happened. It is a good reflection that the Amaron as a brand is taking stronger roots in our focused export markets and we will continue to put emphasis on growing that.

Beyond the volume and financial performance I just also want to recollect that for various other reasons FY2020 has been kind of a momentous year. That is the year where 20 years of our partnership with Johnson Controls has come to an end and we have started the implementation of stamped grid technology project, it is going on course except for this COVID disruption in the last two months. We are still now tracking the project implementation timeline with a marginal deferment of commissioning of the plant. We are also implementing the new ERP platform, SAP S/4 HANA platform. Ideally we should have gone live on that a couple of months ago, but we postponed it, so we would be going live on S/4 HANA next week. We are currently in the cutover plans right now on that.

Delli has briefed you, most of our capacity expansion plans are tracking the project schedules and cost schedules that we have put for ourselves and we are deferring where we think there is a need for differing the capacity addition and the adjustments required to look at the short-term dip that we have had so far due to the COVID issues. So all in all I think Amara Raja is nicely poised at this stage.

All our efforts over the last two months are to handle the crisis on hand in terms of shutting down our plants in line with the lockdown conditions, certain essential product categories were continued to be produced particularly to support the telecom networks, which are classified as essential services and as the lockdown 3 came into picture partial operations started happening in

the other product lines as well and we are currently in the ramp up mode as far as our production plants are concerned. I think we have a very interesting time ahead of us, quite a few things are still uncertain, how the virus will play out, how the government framework for lockdown tensions will be eased up as we go along and how the demand will resurface across many of our customer segments. So we are pretty well prepared to deal with that emerging situation, but then anything to predict at this stage would be uncertain because of the uncertainty of the overall health as well as economic conditions on account of the COVID virus. Now I will open the floor for questions and answers. Mr. Jayaraj back to you!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Firstly I wanted to understand how were the sales shaping up currently after lockdown in the last month or two in different segments four-wheeler, two-wheeler replacement, UPS and telecom?

Vijayanand S: The economic activity around the country is picking up and hence most of our channels are activated now both on the tertiary sales and secondary sales. Of course there are certain constraints in few warehouses where still they are coming under containment zone and we have to follow the guidelines provided there. But there is overall demand pickup. Maybe this is because of five-six weeks of freezing of economic activity, a bit of pent-up demand is reappearing and May month has seen reasonable traction on some of the product categories. For example the tractor segment has seen a significant traction, inverter has seen a significant traction for us, the two-wheeler and four-wheeler also had a reasonable volume throughput in the channel, so I think we will have to wait for some more time to see how fast the full scale activity will reappear in terms of the sales channels, but we are more than happy with the way things are shaping up.

Ashutosh Tiwari: Compared to pre-lockdown utilization level across different segments what kind of level now we have reached in the utilization of plant?

Vijayanand S: See, from plant utilization it is a slightly different scenario. If you remember the lockdown was announced around end of third week of March. I think March 22, 2020 is when we had the Janata curfew followed by the phase one lockdown. There is quite a bit of a pipeline inventory that was built so when the economic activity started and easing of lockdown considered, we had an opportunity to push our pipeline stock. From plant operations perspective right now we are in the range of 40% to 50% of manufacturing operations feeding into the stocks which are getting depleted in the channel and over the next few weeks we are confident this will continue to ramp up.

Ashutosh Tiwari: Are we seeing certain warranty claims and complaints and all because lot of automobiles are not operational is it completely abnormal we are seeing a trend in warranty or is not that high at the moment?

Vijayanand S: Not really, in fact if you are tracking, we have taken a volunteer service program called Jump start campaign. We knew that the vehicles are being parked for too long, there would be the discharged battery issue that can come up as a concern for the customers and in most cases 8 out of 10 such cases the battery is getting charged back once it is jump started so it is not a warranty claim, but proactively our service teams are going and providing the jump start backup in case if you have a flat battery in the vehicle.

Ashutosh Tiwari: Okay Sir and Sir lastly in terms of telecom segment over the last four years it is declining, now that probably bandwidth consumption has gone up during the lockdown period now there is a trend of work from home so are you seeing a significant improvement in telecom battery sales and what we expect for FY2021 overall for the next year?

Vijayanand S: Telecom amongst a very few select segments is seen as belonging to that particular quadrant that typically consultant do analysis. The credit risk as well as the revenue compression is seen as moderate or low. So that way we are seeing that telecom is a positive side of the equation, but to be able to translate that into specific demand numbers, we need to wait and see what is the kind of network reinforcement that operators and tower companies would do. Data throughput is significantly higher, I am sure all of us have taken note of that and the reliability of network functionality demands are much higher during the two months of lockdown that we have experienced. We had a strong contingent of service teams working to make sure that the network up times were maintained where we have direct responsibility. But in terms of demand growth I think it is going to be few more quarters before we actually see volumes appearing on the growth phase. As you rightly said telecom went through such a stressful period that the demand has compressed significantly from what it was three to four years ago. Thankfully for us we are able to recover some strong market share gains during FY2020 though there was overall industry demand compression and that helped us sustain our volumes in FY2020. We are only looking at the future with a little bit more positive angle. It depends on how the network reinforcement has happened, what kind of additional traffic throughput capability that the network will be built with, would we see more towers coming back or re-enforcement of existing towers. Another thing we need to also factor in is that the power availability situation has significantly improved in the country, so the backup power required from the battery would not be the same as what they were earlier. So we are working on a model where all these things can be factored in and then see how this will help us. But general consensus is that telecom sector only can do better than what it went through in the last three to four years.

Ashutosh Tiwari: Okay Sir thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Vinay Singh from Morgan Stanley. Please go ahead.

Vinay Singh: Thanks for the opportunity and congratulations for good numbers especially when we look at it with regard to other companies. My question is that in FY2020 we did see better mix, which contributed to gross margin expansion. How do you see the mix changes in FY2021 do you sort

of expect a similar trend to continue where replacement broadly leads the charge again and then gross margins further expand?

Vijayanand S: I think the outlook for OE segment continues to be cautious in the sense that we will have to wait and see how the OE volume will pick up. Probably the vehicle manufacturing took a very strong beating during this period. The revival trends need to be looked at. Our view is that will take at least a couple of quarters before confidence comes back and customers are willing to go to buy new vehicles. So year as a whole we still see that OE contribution to the overall automotive product mix will be subdued to that extent from a mix perspective. We should see the trends continuing, but we also have to watch out how our export markets will open up because that was another significant volume contributor and a reasonably acceptable level of margin somewhere. So if we can see the export markets in replacement segment opening up in the geographies that we operate the trend on export growth will continue. So to that extent we continue to see that the overall product mix will be more biased towards the healthier margin.

Vinay Singh: That was helpful and secondly could you just give us a few numbers on your export revenue in FY2020 your industrial revenue and capex outlook for FY2021?

Delli Babu: The export revenue in FY2020 is about 10% of the overall revenue, in terms of the industrial business as I have mentioned in my initial remarks contributes about 30% of our overall revenue. Now coming to the capex plan for FY2021 we expect in terms of cash outflow perspective should be around Rs.350 Crores to Rs.400 Crores to complete the Greenfield unit of third automotive battery plant and some other debottlenecking and the maintenance capex in the range of about Rs.150 odd Crores so it should be in the range of Rs.350 Crores to Rs.400 Crores. We are revisiting as much as possible to see what all capex that we need to reconsider considering the demand situation and also the current economic scenario, so at this point of time our estimate is on capex around Rs.350 Crores could be the cash flow.

Vinay Singh: Great that is helpful. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Siddharth Vora from Reliance Nippon Life Insurance. Please go ahead.

Siddharth Vora: Can you explain your export strategy this jump, which we have seen for FY2020 was a planned what change has we done and is the partnership breaking with Johnson Controls we have any play here that gives us more freedom for exports now?

Vijayanand S: I think I have to say I would answer this from industrial and automotive perspective. Industrial never really had any major restrictions because earlier Johnson Controls, with the current Clarios, is not involved in industrial markets. So we never had any constraints to expose our industrial batteries to any geography. But lead acid product is such a thing that we need to determine the economy of reach considering the freight cost and also that the product is having limited shelf life so to that extent we have mapped Indian Ocean as a focussed geography for us and within

Indian Ocean there are specific country markets that we have identified based on multiple other parameters in terms of local manufacturing, tariff barriers and things like that...growth rates. So to that extent on the industrial side there is no significant change in our reach to various markets. On automotive side we are putting together plans to see how do we have a higher reach on the geographic expansion. But again, primarily the current volumes come from the Indian Ocean, which basically means some of the African countries, Middle East, Central Asia, South Asia and Southeast Asia. So the focus on these geographies continues to be there. Going forward if we have more opportunities opening up for us on the automotive space we definitely will be leveraging that.

- Siddharth Vora:** What was the target in terms of export products 16% of revenue, sir possibility or whether?
- Vijayanand S:** Ideally our idea is to push as much as we can but there is so much uncertainty to be able to predict even domestic market is a challenge. So now so we will have to wait and see how things will evolve post the COVID to be able to see if there is a need for us to readjust our strategy.
- Siddharth Vora:** Can you give any flip to the industrial 30% of overall, which we had for the year in terms of telecom or UPS for the ordered category?
- Delli Babu:** Industrial has two major segments, the UPS and telecom and other segments like railways, power control, etc. So telecom contributes on a full-year basis if I look at it roughly around 9% of our overall revenue and UPS contributes about 12% to 12.5% of our revenues, between these two the overall revenue contribution is close to about 21% to 22% that is 8%, 9% come from exports, railways and power control, defense sectors.
- Siddharth Vora:** Okay and the third automotive plant you spoke about in terms of the capex plans so incrementally with this do we expect our overall auto share to go up in the business is when the third plant is in force maybe two years down the line?
- Delli Babu:** The eventual capacity of the third plant is about 6 million batteries, but in the first phase we will only be adding about two lines with about 2 million capacity. The objective is to gain volumes both in the domestic as well as in the export markets and we have been trying to expand our presence even in the OEM market as well so while there is no particular number that I would like to highlight here in terms of what is the kind of shares that we are going to achieve, but yes the objective is definitely to ensure that our presence is improved in all the three segments.
- Siddharth Vora:** With this in terms of the OE we said two accounts we have added in two-wheelers this quarter itself you will say the presence is fair across all major OEs in two-wheelers, four-wheelers or there is any area which you still hope to do better?
- Vijayanand S:** Yes, largely. I think there has been a gap in our two-wheeler OE portfolio that is getting now filled up by our entry into two large OE accounts in the country. So in terms of customer portfolio we would have covered 95% plus with the customer portfolio both on two-wheeler and

four-wheeler. Of course the individual share of business in each customer varies depending upon which platforms we present and what is the platform growth for that particular customer it keeps varying. But largely I can say that we cover a significant portion of the OE players both on the two-wheeler and four-wheeler.

Siddharth Vora: Okay that is it from my side. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Aryn Pirani from CLSA. Please go ahead.

Aryn Pirani: Most of my questions have been answered. I just wanted to understand if you can give some outlook on this agreement that you have done with Gridtential Energy so what are the kind of categories that we are looking at and what is the kind of opportunities that are there in this agreement and if you can give some clarity as to how we can progress over the next two years?

Vijayanand S: Thank you for asking this question. That is fresh news this morning we have shared. Fundamentally I would like to emphasise that this is the research and development effort to look at certain new opportunities in enhancing the lead acid battery performance. This is focused on a technology domain called bipolar batteries with lead acid chemistry. Gridtential is a research organization based out of US and they have been working on this for quite some time. We believe specific to Indian context that there are certain specific applications where the battery performance requirements are a little bit more demanding from a cycle life perspective, from round trip efficiency perspective, so we are evaluating the credentials of this technology. We have done some work already with Gridtential on that and now we entered into a formal agreement and we will continue to explore how best this technology can be deployed for various applications in India. For example we are talking about low-end Traction requirements in the country. We would evaluate it for that. There are certain commercial UPS applications that would require specific performance requirements on the battery in terms of high rate discharge, in terms of quick recharge. So there are some of those specific industrial and automotive applications where we might be finding a better alternative or a better option using the bipolar technology.

The uniqueness of bipolar technology is that the reliability levels of this product is much higher because fundamentally the design elements are relatively simplified but more precise. So you will see that the possible failure modes that would result in the end of the life of the battery in the form of a bipolar battery those are much more reliable in that sense. So the idea is continuing to explore it in our own testing environment to prove the credentials of this technology. Then like what we have done many times in the past - adopt this technology specific to the Indian context. That is the whole effort as we go along and as we find more interesting outcomes sort of a testing program and evaluation program will definitely share as to what are the possibilities with this technology.

Aryn Pirani: That is helpful Sir so just to clarify these would be largely be newer applications, which you are not serving today in fact the correct way to look at it?

- Vijayanand S:** No, Not necessarily in newer applications. It will be also some of the applications that we cater to today but with a better product promise.
- Amyr Pirani:** Okay great thanks Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.
- Gokul Maheshwari:** Could you just comment on your comparative growth rate in the auto segment in FY2020 in terms of how you are seeing that sir?
- Vijayanand S:** Can you clarify if this question was with respect to automotive segment?
- Gokul Maheshwari:** Yes broadly on the automotive segment and also in terms of the big industrial segments, which is telecom and UPS?
- Vijayanand S:** I think general comment to start with is that we have been gaining incremental market share across various market segments and definitely in the replacement market. I would not be able to exactly give the market share numbers on a quarterly basis. But if you take year as a whole, we would have definitely gained incrementally on the market share with the four-wheeler product, and with the two-wheeler product. Telecom there has been a significant gain of market share. We lost it for a couple of years in between because of pricing issues, but I think the continued collaboration with customers and offering them solutions that are beneficial to them in the overall total cost of ownership definitely has built that confidence for them to look at offering a higher share of their business to us. Today I would say, in telecom, we are back to the range of 65% plus kind of market share today.
- So there is gain incrementally in market shares across the product segment. Obviously the OE is in a lower demand cycle right now so the market share gains may not have necessarily translated to volume gain there, but on the two-wheeler OE side, for sure there is market share as well as volume gain because of the new accounts that we have entered into.
- Gokul Maheshwari:** There is a fair bit of unorganised competition in the automotive aftermarket segments during these times would there be a scope for you to gain market share, there would be supply constraints in terms of buying used lead acid battery for the unorganized competition if you could correlate that with historical events?
- Vijayanand S:** See, the general industry view is that historically the unorganized replacement markets have been compressed. I remember when we got into the market they were more than 50%. Actually in some specific segments like tractor and truck they continue to have a strong presence. But over many years it has been shrinking...it has been shrinking much further. We expected the trend to continue. If you were to look at the GST it made it easy for organized players to be able to distribute the product without restrictions on the state boundaries and overall the distribution

footprint has made it easy to go across and reach much rural markets for us. Overall taxation implications also will make it relatively less challenging on competing against unorganized sector and with more and more environmental concerns being expressed by government on one hand and generally the customer segments, we believe in the higher level of sensitivity to buy products that are not necessarily made to compliance with environmental standards. So continued ingress into the unorganized sector share will happen in general by the overall organized sector players and Amara Raja's effort would be to lead that effort and continue to gain.

So will there be higher resistance that keep growing our market share obviously at the level where we are it is not going to be the same as what it was 10 years ago for sure, but I think there are multiple approaches and strategies that we have put together to see that we continue to gain market share to a level where we should be able to have a clear reduction in the unorganized sector participation here, a much more robust environmentally compliant supply chain systems being put in place. So we are pretty hopeful on that and market itself is reasonably growing at this attractive manner. Automotive cycles have been seen in the past so we will see probably a period where replacement demand also will be constrained considering that the OE production is lesser of now, but those short-term cycles will always be there.

Gokul Maheshwari: Right and lastly given that the fluctuations in lead prices are they any changes in your pricing policy especially in the automotive aftermarket?

Vijayanand S: Typically the pricing policy is based on how competitive we are and if you take a long-term average of, let us say five-year view, I think industry has neutralized the impact of lead whether it goes up or down, eventually stabilizes at that level. Then it is left to the individual players to see what kind of pricing power that they have in the market so I do not think we have significantly changed our pricing strategy. We will continue to stay competitive and leverage the brand strength where it is possible to leverage.

Gokul Maheshwari: Great Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Sir you spoke of the initiatives to gain market share in each rural market any changes that we are trying to implement on the marketing the channel initiatives that have been talked about and secondly there is an increased environmental concern on the used battery side does it present some consolidation opportunities for the more organized players?

Vijayanand S: Let me answer the question related to the environmental concerns. Definitely from Amara Raja, but I think in general, the organized industry has been doing everything required to comply with the environmental regulatory requirements. In supply chain networks that we control whether it is sourcing of material, whether it is manufacturing systems that we have in our own facilities and also in the distribution channel where we need to collect batteries. The enhanced sensitivity on

the environmental compliance is only going to be helpful because right now while there are clear guidelines and rules that are available on how to handle scrap batteries, compliance to the rules by unorganized sector is a challenge and we have been working closely with the state level as well as central level government agencies to enhance the collection of scrap batteries and process them in an environmentally sound way. I think government is definitely aware of the ground situation and is willing to increase the adherence to compliance from a implementation perspective. So the larger picture is that as you apply more on more controls on the environmental compliance across the market segments, organized, unorganized and different kind of product verticals it will only help us to make further inroads into that because if you look at our Powerzone brand, that is actually positioned to take care of the semi-urbans, rural areas, offer a globally competitive global quality product that can meet the local requirements. So those efforts will continue and I am sure we gained in the past and will continue to gain on that front in terms of market share from the unorganized sector or in rural markets.

Shyam Sundar Sriram: Right Sir that is helpful and on any changes to our marketing or the channel?

Vijayanand S: Right now we do not see a need for change. I think it is doing pretty well. The Amaron has a very clear to two-tier channel, Powerzone is a mix of single tier channel in rural markets and the hybrid channel in other markets. So it is paying dividends to us I do not think that we have kind of saturated or exhausted the growth opportunities in that. We clearly map different product lines where our strengths are, strengthen it further where in certain geographies and some product lines we see an opportunity to strengthen our presence further the same channel is able to deliver to us and we will continue to pursue that.

Shyam Sundar Sriram: Understood Sir. Thank you very much for that and from an export outlook perspective Sir will we continue to see reasonable pickup in the exports as the countries open up is there any hiccups there and from a supply chain perspective from a less sourcing is that all largely sorted out at this point of time?

Vijayanand S: Thankfully on our supply side of material we never had any hiccup. I think there has been enough caution exercised long back starting from January when we came to know about the COVID issue in China. We get a small portion but critical materials from China so we have tied up that, ensured our suppliers are prioritizing our requirements and where required we have premium freight options that we resorted to. So as I see next two, three months I do not think that we would have any major concerns coming in, in terms of the material availability. When it comes to export growth opportunities at this point of time it is very difficult to predict how each country markets will open up I think India has large enough complications. And for us to imagine this across 30 odd countries that we export to. But we are in close contact with our local distributors there to understand the dynamics playing out. In few countries our distributors have done a fabulous job of reaching out to customers who needed batteries in these tough times. I think as the markets open up we will have to carefully calibrate how the demand recovery will happen, replacement markets are expected to have strong and fast recoveries and we also have to carefully calibrate particularly in markets where they are largely dependent on imports how is it

also from other suppliers to behave, will the other suppliers from other countries have the same ability to serve the market or do we see some opportunities opening up for us because of supply constraints from other manufacturers and we will definitely leverage if there are opportunities presented to us. I think one general comment I want to make here Amaron in many markets is in the premium end of the market pricing there. Unlike in India where we have multiple price points and multiple product lines available, in most export markets we have positioned Amaron at the premium price so the market that we address there could be limited to about 20%-25% of the market size on a general sense. This varies from country to country which means there is another 70% plus of market available for us in exports if we get bit more focused on product strategy in those markets. So these are all options available on the table for us and we will be actively pursuing that in collaboration to our local distributors there. So far over the last many years we have had a fabulous growth on the export volume and we will continue to pursue those opportunities going forward.

Shyam Sundar Sriram: Great Sir.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Could you just talk about the main reversion of replacement you did talk about it, but A bit more quantitative if possible in terms of main reversion of this replacement demand in the automotive sector versus pre-COVID levels where are we reached in the Month of May and how do you see this trend now?

Vijayanand S: I think I do not have numbers immediately to share in terms of what happened in May, May ended only yesterday night and we are consolidating the feedback from all of our franchises, but from a tertiary sales perspective I believe in semi-urban and rural markets the demand pickup has been strong enough. I think in a general sense if you speak today at Delhi-Mumbai-Chennai it continues to be the peak of concerns in terms of number of cases, the containment zones are much higher there, the health crisis is much bigger so I think the metro markets may take a little bit more time to open up and in overall sense we are pretty encouraged by the demand recovery pattern that we have seen during the month of May.

Prateek Poddar: Sir when you say reasonable it would be like 50%, 60% of pre-COVID levels is that the way to think about it, not trying to put words in your mouth but just trying to understand the definition of reasonable to be honest?

Vijayanand S: Yes, you need to see whether this is a whole of the month or let us say last week of the month. The run rate for the last week of the month have reached better than the numbers that you talked about, but please also understand that first half of the month was still having certain lockdown restriction in not all geographies and you know that number of markets that are active till May 10, 2020, May 12, 2020, May 15, 2020 still restricted, so if you take last week of the month the run rates are like they are better than 50% 60%.

- Prateek Poddar:** That is wonderful data Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nishit Jalan from Axis Capital Limited. Please go ahead.
- Nishit Jalan:** Thank you Sir for giving the opportunity and congratulations on good set of numbers. Most of my questions is answered just one or two questions. Firstly on the capex front you talked about expansion on the four wheeler side I think there was some expansion going on, on the two wheeler battery also right to take the capacity of 25 million units and secondly we had undertaken a capex or to expand capacity for two wheeler batteries also basically to cater to the home inverter in the additional market so just wanted to understand where are we in that process?
- Delli Babu:** The four-wheeler third plant is currently under construction it should be completed sometime in FY2021. As far as two-wheeler is concerned yes the second plant whose eventual capacity could be around 16, 17 million batteries currently we have added lines sufficient to take the capacity to about 10 million so including the first plant the capacity is in the range of about 19 million, so now any further addition of capacity in the two wheelers will be based on how the demand signals to emerge because these are line additions this is not a Greenfield unit expansion so it will not take so much time so any line addition will be based on how the demand signals are going to evolve. Now coming to the tubular side currently our capacity is about 1.3 million batteries and, we have plans to expand that 1.3 million to about 1.6 to 1.7 million batteries that work is going on now so that should be ready for our e-rickshaw product segment, our product is ready now and feild trials are also getting completed so we will be needing this additional capacity to meet the e-rickshaw battery demand, so by the end of FY2021 we should reach about 1.6 to 1.7 million battery capacity as far as tubular batteries is concerned.
- Nishit Jalan:** Sir just one more question again on the replacement side lead prices have come down further we have seen a big decline happening obviously probably related to the COVID and the global slowdown have you started to see any price cuts happening in the replacement market to pass on the benefit of lower network?
- Delli Babu:** See at this point of time during this lockdown period obviously costs will be impacted because of the capacity utilization and I do not think there is a severe immediate action that is there in terms of reducing the prices, but as Vijay was mentioning sometime back over a long period of time obviously when the lead corrects quite a bit there is a possibility that things will get passed on onto the customers, but if you notice not only the lead has come down, the rupee has substantially depreciated to about 78 levels and there is a possibility, obviously you guys have better take in that, that it may touch 80 level also so in that sense any price correction in the retail after market will be a calibrated one. As of now we have not seen any such action till now in this financial year.
- Nishit Jalan:** Okay Sir. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital Advisors. Please go ahead.
- Mukesh Saraf:** Good evening and thank you for the opportunity. The question is primarily related to the non-auto business so there are no talks about some of the newer subsegments within that you have this motive power for the warehousing business or the solar segments, also telecom as a service other than just a product so could you give some update on any of these newer areas within the non-auto segment?
- Vijayanand S:** Yes Mukesh these are all initiatives that we have been pursuing, they have not scaled up to a level where it will be making a significant quantitative impact on the business which is strategically very important for us. We are continuing to push the motive power product availability in the market and today we have reasonable amount of success in reaching out to aftermarket requirements of motive power, we have also some positive signals from the OEM manufacturers in the country. Solar is a key sector, project specific supplies have been made. We are also looking at opportunity outside India. In fact last year we executed one very prestigious large product in Nigeria. So these are right now strategic in nature and we were pursuing and going all out on building our capability in this area.
- Telecom services that you talked about is shaping up pretty well for us so we still continue to build the capabilities and the competence here. Going forward over the next two, three years I am sure it will start paying dividend in terms of the operational performance of the company.
- Mukesh Saraf:** Right, it will take about a couple of years.
- Vijayanand S:** To scale up to a level where we can specifically talk about that as a sector.
- Mukesh Saraf:** Right and second question is regarding the punched grid, which we have started at a certain level and we are obviously looking to scale that up, could you give some sense on the benefits that we have seen so far in terms of either cost for us or the product being better and healthy market shares, any sense that you can give on that?
- Vijayanand S:** Sure. We started with stamped grid technology used for motorcycle is stabilized now, significant portion of our product line is being made with this technology today. Right now it is being put into the aftermarket in large volumes and we are working with our OEMs for technical approvals for this technology to be able to supply them with stamped grid product. Our automotive project is under execution right now. If COVID has not interrupted we would have been in advanced stage to commission the plant now, but it will probably be delayed by a few more months before we are able to commercialize the production. So far all the technical aspects of it in terms of product testing, in terms of plant execution and capital equipment coming in, all of that is tracking our plans perfectly as per the schedule except that window of time delay caused by COVID.

- Mukesh Saraf:** Right Sir my question is more related to the kind of benefits we have seen.
- Vijayanand S:** Yes, fundamentally there are three things that this technology is expected to deliver and we have started experiencing that in the motorcycle product trend where it is already commercialized. One is it is a much cleaner operation, much more efficient operation in the sense that the production scale and production rates are significantly higher than the earlier technology of cast grids. Environmentally these are much cleaner. It does not generate all the scrap and dust and other things that you normally see happening in the cast grid and the process flexibility is pretty high, which allows us to create multiple product variants without significant tooling change or equipment change, which gives options for us to create multiple product variants on that and then there is an overall material saving because of the basic stamped grid technology character there is an expected material saving, which we have already started seeing in the motorcycle product line.
- Mukesh Saraf:** On the material savings any numbers you can give say X percentage of raw material cost saved?
- Vijayanand S:** No Mukesh I would not be able to give any specific number on that right now, but it would be sufficient to say that it gives leverage for us to make the overall product design much more efficient.
- Mukesh Saraf:** Right. That is it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Kapil Singh from Nomura Securities. Please go ahead.
- Kapil Singh:** You mentioned something about Rs.25 Crores to Rs.30 Crores hit due to some of the receivables, which we have not taken so could you mention where it was taken in which line item in which quarter?
- Delli Babu:** Yes actually it is because we have a policy of provisioning the receivables and we have some delays from the BSNL customer. There is a delay in terms of receivables so we have to go by our provisioning policy, which is where we have created a provision for about Rs.16 Crores during FY2020. While we have collected some money and there is a balance amount that is due and right now we are hearing with steps the government is taking we are sure that we are going to collect it in FY 2021.
- Kapil Singh:** Okay Sir this is taken in Q4 in revenues?
- Delli Babu:** Yes it was there in all four quarters, Q4 specifically if you look at it is about 5 Crores.
- Kapil Singh:** Secondly one question is on lithium ion technology. Could you give your thoughts on both auto and industrial segment in terms of what is that the company expects in both of these segments in terms of technology change and how are we preparing for it?

Vijayanand S: Well, this is a subject that keeps occupying our thought processes, discussion and strategic reviews; we have been tracking the developments globally as well as domestically on this. I am sure all of us are aware that there is some effort that had gone into introduce two-wheeler and three-wheeler EVs in the country with mixed luck. We are yet to see a significant scale up of numbers happening on that. Four-wheeler effort was much smaller in scale, but significant in terms of the total developmental effort that went behind that. Our estimation is that there will be certain specific sectors of the vehicle as well as on the initial applications where adoption of lithium will happen, but to get to a scale where it is becoming significant in terms of volume is going to be quite some time away. We are not very clear how COVID is going to impact it, too early to say. Will it accelerate adoption of electric mobility in the country? Will it accelerate in terms of renewable energy that needs some energy storage solutions? I do not think the last word on that is said yet, but in terms of the company's efforts to understand the implications and the readiness to adopt it as and when there is a right time to do that, we are pretty much on course with that, we have shared in the past that we have set up a pack assembly facility. Today we have the capability to manufacture two-wheeler and three-wheeler for different ratings. We work closely with many OEMs on this opportunity both in two-wheeler and three-wheeler side and when we make some significant progress on that we will be able to share that in the future.

Kapil Singh: Sir particularly on the industrial side anything to highlight about the technology changes there as well?

Vijayanand S: Nothing that would dramatically alter the way the current industrial preferences for products are there. At least in the next two years I do not see a significant change coming in there. But there are certain niche applications and niche installations where lithium is being used. For example lithium in data centers it is happening in a small way. The entire Jio network is built on lithium batteries, but at the same time no other company or telecom operators have really adopted it in a significant manner, but we will be watching it carefully and as and when we think there is an opportunity to scale up that product offering we will be ready to do that.

Kapil Singh: Thank you Sir and could you give automotive side numbers or I can take it offline, however you wanted I missed out in the start of the call?

Delli Babu: What is it regarding?

Kapil Singh: The four wheeler and two wheeler growth numbers for the year and for the quarter?

Delli Babu: Yes I think I have shared it in my initial remarks and in case you have not captured, reach out to me you will be able to see; anyway we will be uploading the transcript.

Kapil Singh: Yes I will take it offline. Thank you.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question for today. I will now hand the conference over to Mr. Annamalai Jayaraj for closing comments.

Vijayanand S: Thanks a lot for attending this call on full year financials. We are in a very unusual and interesting period. But I am pretty confident that with all the measures that we are taking right now - the primary focus being the health of our employees, our channel partners and their extended families and the entire stakeholder community - we have managed last two months with no major setback to our operations other than demand, due to lockdown, the demand being almost nonexistent in April and frequently recovering in May. I think next two, three months would be critical for us to see how this situation evolve and the best approach we have said is not to predict what is happening, but be prepared to deal with the context. I thank all of you for supporting this all along and look forward to your interactions subsequently. Thank you very much.

Annamalai Jayaraj: Thanks Sir. We thank all the participants. We thank Mr. Vijayanand and Delli Babu for taking a time out for the call. We thank Amara Raja Batteries for providing this opportunity to host the call. Have a good day.

Moderator: Thank you very much. On behalf of B&K Securities India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.