

June 5, 2024

National Stock Exchange of India Limited
Listing Compliance Department
"Exchange Plaza"
Bandra – Kurla Complex
Bandra East, Mumbai – 400 051
NSE Symbol: ARE&M

BSE Limited
Corporate Relations Department
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001
BSE SCRIP CODE: 500008

Dear Sir / Madam,

Sub: Transcript of Analyst / Investor Call - Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In reference to our letter dated May 27, 2024, the transcript of the Investor/ Analyst call held on May 30, 2024, is enclosed herewith and the same is also available on the website of the Company at <https://www.amararajaeandm.com/Investors/statutory-filings-with-stock-exchange>

We request you to take the same on record.

Thank you

Yours faithfully

For Amara Raja Energy & Mobility Limited
(Formerly known as Amara Raja Batteries Limited)

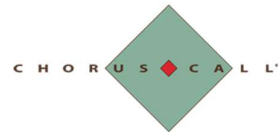
Vikas Sabharwal
Company Secretary

Encl: a/a



“Amara Raja Energy & Mobility Limited
Q4 FY ‘24 Results Conference Call”

May 30, 2024



MANAGEMENT: **MR. HARSHAVARDHANA GOURINENI – EXECUTIVE DIRECTOR, AUTOMOTIVE AND INDUSTRIAL – AMARA RAJA ENERGY & MOBILITY LIMITED**
MR. VIKRAMADITHYA GOURINENI – EXECUTIVE DIRECTOR, NEW ENERGY BUSINESS – AMARA RAJA ENERGY & MOBILITY LIMITED
MR. Y. DELLI BABU – CHIEF FINANCIAL OFFICER – AMARA RAJA ENERGY & MOBILITY LIMITED

MODERATOR: **MR. JAY KALE – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Amara Raja Energy & Mobility Limited Q4 FY '24 Conference Call, hosted by Elara Securities 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 star then zero on your touch phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jay Kale from Elara Securities Private Limited. Thank you, and over to you, sir.

Jay Kale: Yes. Thank you, and good evening, everyone. On behalf of Elara Securities India Private Limited, I welcome you all to the Q4 FY '24 Earnings Conference Call of Amara Raja Energy & Mobility Limited.

From the management side, we have with us today Mr. Harshavardhana Gourineni, Executive Director, Automotive and Industrial; Mr. Vikramadithya Gourineni, Executive Director, New Energy Business; Mr. Y. Delli Babu, Chief Financial Officer.

I would now like to hand over the call to Mr. Delli Babu for his opening remarks. Over to you, sir.

Delli Babu: Thank you, Jay. Good evening, everyone, for joining this call. I'll just briefly touch about the numbers of the quarter. During Q4 FY '24, the consolidated revenue grew by about 19% on the back of the lead-acid battery revenues growing at 19% and the New Energy business growing at about 30-odd percent over the previous year.

The lead-acid battery business growth has come broadly on the back of volume growth, both in the domestic as well as the international business of 4-wheeler and 2-wheeler batteries with the domestic batteries business growing around 16% and the international volumes growing around 30%. And our industrial business also has grown at about 5% to 6% during the current quarter on a year-on-year basis. The international business growth was aided by some of the new markets that recently we have forayed into. And also, there is a reasonable growth in some of our earlier markets like APAC and Middle East.

The domestic volumes, again aftermarket segment has shown a robust volume growth of about 15% in both 2-wheeler and 4-wheeler segment. While we have seen a stagnant growth in the OEMs of 4-wheeler, 2-wheeler volumes have grown close to about 20% during the current quarter.

While the inverter batteries is where we have seen a degrowth compared to the last year, considering the fact that we are meeting the inverter battery demand through the trading resources since we lost the factory in a fire accident last year.

The New Energy business between chargers and battery packs, we have seen more than 30% kind of a growth, where we are currently selling packs for telecom and 3-wheeler applications. We just commenced a small quantity of 2-wheeler battery packs as well during the current quarter.

And our Lubes business that we have launched recently is also gaining some traction with overall revenue of around INR25 crores during the current quarter. In this quarter, we have also completed the integration of the plastic component business that we have acquired with effect from 1/4/2022 and the financials have been restated to that extent.

This acquisition has given an EBITDA increment of about 0.8% in spite of our tubular battery business not being there and also some of the synergies that are just kicking in. So we will see that there will be further efficiency improvement with this integration coming in.

As far as expenses of the current quarter is concerned, we had some onetime expenses, about INR20 crores which were incurred towards some of the stamp duty payments towards this merger transaction that we have done. And also during the current quarter owing to the trading activity of inverter batteries, the overall trading revenue percentage during the current quarter was about 10% to 11% as against the previous year number of about 5%.

That also has some bit of negative impact on the operating margins per se. But considering all these factors, the overall EBITDA percentage – for the quarter on a consolidated basis about 14% was delivered, if we adjust the above factors the EBITDA % would have been higher by a percentage point.

If you look at on a full year basis, we have seen three major events. One, obviously, we have subsidized the entire New Energy business into Amara Raja Advanced Cell Technologies. And as I just mentioned, the integration of battery component business is completed, and we have also completed the acquisition of the Amara Raja Power Systems Limited, which is an industrial charger and EV charger manufacturer.

We have seen overall revenue growth of about 13%, wherein the lead-acid battery business has grown about 10% on an overall basis and also the New Energy business where we have doubled the business compared to the previous year, where both the EV chargers as well as battery packs business has shown significant traction.

So in the current year, we have spent close to about INR800 crores on the capex, which is split between our recycling venture, the New Energy venture and also the regular lead-acid battery capex.

So with that, I will now hand over to Mr. Harsha for his opening remarks. Over to you, Harsha?

Harshavardhana G:

Thank you, Delli, and good afternoon, everyone. Our lead-acid battery business did quite well in this last year in terms of volume growth and the figures have been detailed by Mr. Delli Babu. I wanted to share that in our automotive business, this volume growth was aided by the introduction of some new brands, while we've continued the growth of our Amaron brand and secured its market leadership in the aftermarket.

Our OE volumes have also grown in line with the industry. We've been having some further diversification in automotive aftermarket that has been started this year and will be continued over the next subsequent years. The inverter battery dip that we saw will be totally covered up

as our plans for reinstating that capacity are well underway and are meeting the timelines in place for the start of the next season.

We've seen some very good offtake in the international markets. We have market leadership in a number of countries in Southeast Asia, like Malaysia and Singapore. Also in the Middle East, we have a number one position in UAE, and we can claim to be number two in the entire GCC.

We've expanded into both West and East Africa and have established a key customer, key accounts in North America. And we have some ongoing business in South America. So all these combined, we can say we are placed in every continent now for the first time.

Our international contributions to volumes have been picking up year-over-year, about 30% this last year, as Delli has said. And international become a much larger part of our portfolio going forward. It's given us the unique opportunity to release certain products like enhanced flooded batteries and AGM batteries well ahead of their requirement within India.

This allows us to get better realizations and it's a testament to our technological abilities, and we will continue to be able to gain these market shares and with our combined efforts bring Amara Raja Energy & Mobility into a much larger global market share.

On the industrial side, we have seen the shifts in telecom, but we've also been able to have good growth in the UPS segment, especially with data centre becoming larger. We have also made certain international inroads on the UPS product, both in existing geographies in Southeast Asia and Middle East, but also into Europe and North America as a way.

The UPS segment in India is still a very small part of the global -- I'm sorry, data centre segment in India is still a small part of the overall UPS industry, but we see that as fast growing and we're well pleased to seize a lot of that market share.

I think overall, for lead acid, we know that there are questions in terms of technological obsolescence over the next 15 years, but we see a clear runway through that, and we're well poised to take advantage of it.

Thank you, and over to Vikram.

Vikramadithya G:

Thank you, Harsha. Just a couple of minutes quickly giving an overview of the New Energy business as it happened in the past year. I think as Delli Babu mentioned, we witnessed a very healthy growth, especially around our packs and our chargers.

Our pack business continues to grow at a very healthy uptick. We believe we have a very commanding share of the market, especially in 3-wheeler, but overall in the light electric mobility among independent battery players. And as well, we've made significant inroads in stationary applications like telecom, growing our revenues at all of our respective customers within these segments.

On the charger side, we have seen that with the localization efforts coming to fruit that we'll be starting commercial production within the last part of this quarter with our own localized

charger. This would initially go into applications like 3-wheeler. But we believe by the end of the year, we should be able to catch up with all products coming in. Even on the 2-wheeler side, we should be able to make higher volumes.

Coming to the Pack facility in our new location in Telangana at Divitipally, the construction has completed and the last of the equipment is being commissioned. We believe that within the next month, commercial production can start from here and this should actually allow us to start breaking into newer pack customers in an accelerated manner. But overall, the New Energy segment has seen good growth.

On the cells side, we have actually commenced our 2170 project. This is NMC2170 cell that we will be predominantly catering to the 2-wheeler market. This has been a predominantly an in-house effort along with joint development with a partner. Our partner shares good credibility within the Southeast Asian and Chinese markets as well as some penetration in India. The plant construction will be starting shortly of the 2170 project, and we are still targeting the commercial production to start in the latter half of FY '26.

As mentioned in the past couple of calls, we are still at advanced stages of discussion with various players for a more comprehensive cell partnership, looking at technology, manufacturing know-how and supply chain linkages, that is something that we will keep you updated in due course. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kapil Singh from Nomura.

Kapil Singh: My apologies, could you please repeat the growth rates for 4-wheeler and 2-wheeler replacement and OEMs for this quarter?

Delli Babu: For the quarter, the 4-wheeler aftermarket growth rate is around 15%, whereas the 2-wheeler was around 18% to 19% and the OEM growth in 4-wheeler was about 2%, whereas in the 2-wheeler, we have seen a growth of about 15%.

Kapil Singh: And sir, what would be the mix of auto and industrial revenues now?

Delli Babu: It's more or less the same, Kapil. There is no change about 70/30, there is no change.

Kapil Singh: Okay. And could you comment on the growth rate for the Industrial, what kind of growth rates you are seeing and what is the outlook going ahead? Will it grow faster than auto piece or do you think both the businesses could grow in a similar range?

Delli Babu: Yes. As mentioned in the earlier calls, again, we are consistently seeing a 6% to 7% kind of a growth on an overall basis in Industrial. As Harsha was mentioning, while we are seeing some conversion in the telecom side of the business, but still considering other opportunities, what we have both in the domestic segment as well as in some export markets, I think Industrial business will continue to grow around that 6% to 7% kind of a number.

Kapil Singh: Okay, sir. Okay. And just 1 question on the New Energy business. I mean I was noticing a presentation this other business revenues was quite high in 3Q then it's come off in 4Q. Could you just help us understand if there is any seasonality here?

Delli Babu: No. In the New Energy business, except for -- depending on the OEMs requirements, there will be some oscillations, but otherwise, we have not seen any major seasonality as such because the EV off-take some time depending on what happens to the subsidies and sometimes depending on the supply chain challenges, there will be some oscillations, but otherwise, there is no seasonal factor as such because I'm sure it is still early days as far as EVs are concerned. I don't think there is a seasonality in the revenue as such.

Kapil Singh: Sir, I was referring to Slide 18. So it was INR148 crores revenue in Q3, other business revenues, and it is INR116 crores in 4Q.

Delli Babu: You are looking at quarter-on-quarter numbers?

Kapil Singh: Yes. So Q3 is INR148 crores and Q4 is INR116 crores, other business revenues?

Delli Babu: Yes. you know that the Power Systems acquisition was also completed during the second half of the year. So naturally, their revenues are also accruing to us on a consolidated basis. And Power Systems had a bit of a higher revenue in Q4 considering their industrial charger business. But otherwise, there is no major oscillation between 1 quarter term.

Kapil Singh: Okay. Okay. Understood. And sir, lastly, just wanted to understand, you talked about the fact that we are looking at a partnership as well. So if you could help us understand like the conversations that you're having right now for this business with the customers, what kind of need do you seem to have a partner in this business? And what will be the things that you would look for in the partnership, basically?

Delli Babu: Kapil, if I understand your question, you are asking about what are our expectations from a partner?

Kapil Singh: Yes, sir. That's correct. That's correct. And also when you're having conversations with the customer for the battery cells, do you see that those conversations would meaningfully improve, or the conversion rates could improve quite a bit if you have a partner?

Vikramadithya G

:

Thanks for the question, Kapil. I think, first, I'll start with the first part of your question, which is what we look for in a partner? I think we definitely find that our comprehensive partnership to access the more complex parts of the market like high-voltage battery packs for electric mobility is a must.

And we believe that there are companies out there who've been doing this for a very long time who enjoy great customer credibility across OEMs, the same way we do right now in the lead-acid market. So what we look for is definitely a partner that not only has technology that's relevant today, but enough R&D and pipeline of products that are taking us through at least the

next 5 to 8 years in terms of technology changes even within the same lithium chemistry, if not for other chemistry.

In addition, supply chain is something that's quite critical. While India can probably absorb technology and build factories and infrastructure at a pretty fast pace to keep par with China, but we don't enjoy the type of raw material ecosystem that other parts of the world have built out over the last 10-plus years.

So a partner that can help us to take advantage of possibly in, lack of a better term piggyback onto existing supply chains that they enjoy at competitive rates for global purchasing.

And lastly, of course, we would look at a partner to help us with the manufacturing know-how, factory design, just help us get off on the right foot and having some customer credibility that we can easily go and that kind of brings us to your point, I think customers would definitely rather see that Amara has partnered with somebody that is already supplying into automotive sector and I think on the EV side, especially on the passenger vehicle, that's where a partnership in terms of credibility becomes the most important.

It's not that it doesn't help in other areas, but areas like stationery, light electric like 2-wheeler, we believe that we are able to, on our own credibility, have a little bit more success without a partner adding to it.

Kapil Singh: Sure. And just 1 follow-up on that...

Moderator: Kapil, sir, can you come back in the queue for the follow-up question?

Kapil Singh: Definitely.

Moderator: The next question is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: My question is a follow-up on the previous question. So we already have a partner and the technology on which we are developing this, right? So we are looking at partnership beyond that?

Vikramadithya G : Thanks, Jinesh. This is for the 2170 projects that I mentioned. This is a joint development, something that large level of in-house efforts. So I wouldn't really call that as much the partnership in the natural sense. We are looking for a more encompassing partnership for a larger portfolio of cells across chemistry that can help us to cater to a larger part of the market.

Jinesh Gandhi: Okay. Okay. Perfect. And also, can you update for the cell manufacturing capacity where we are now? You indicated it will be starting from 2 half of FY '26, but I believe our large part of investment is yet to be -- I mean, yet to happen in that. So if you can talk about how much we would be investing in FY '25 for that and for FY '26 for cell manufacturing and overall capex for FY '25?

Delli Babu: The overall cell manufacturing road map, I think, as Vikram has mentioned, the first giga factory, which is what we have said in the earlier calls as well, we'll be looking at commencing

it sometime in FY '26. It is also possible that we may coincide that with additional capacity for other chemistries also.

But while since those plants are still on the drawing board, I'm not able to give you a clear timeline as to when will the next capacity for the bigger factory will also be started because -- what we are starting in next year is about NMC. Obviously, we need to look at the LFP industry, which is also relevant for the Indian market.

As far as the capex spend on this is concerned, as we have mentioned initially, at least for this - - the customer qualification plan for which construction is almost 40% complete, and then we have ordered the equipment as well. And the Pack facility has been completed and cell facility's construction has just started.

So for fiscal FY '25, we may need to spend close to about INR1,500 crores between both lead acid and the New Energy. I think lead acid would need about INR300 crores to INR400 crores of money to be spent and whereas New Energy business will require about INR1,000 crores to INR1,100 crores as capex spend for the FY '25. It may be of the same order even for FY '26.

Jinesh Gandhi: Okay. And split would be similar? FY '26 also split would be similar?

Delli Babu: Yes, yes. Maybe a little less for lead acid, but I think we can go with the same split.

Jinesh Gandhi: Got it. And lastly, a clarification. So in the notes to accounts you mentioned about the insurance payments which you have received INR24 crores and a scrap of 100 which had got fire. So where is this accounted for, and which quarter would it be reflecting in? Because I couldn't find it in the extraordinary items. So can you...

Delli Babu: Yes, the way it is accounted is the fixed assets and the inventories that we lost due to fire are transferred . the fixed assets will be transferred at their net book value, it will go and sit in a claims receivable account. And any claim that we are receiving from the insurance company will be going to offset that. Any claim or any scrap realization.

For example, by selling the inventory in that plant, we could realize about close to INR95-odd crores, and other plant scrap, we were able to realize about another INR10 crores to INR15 crores. and insurance company has also settled the inventory claim.

And also, they have given the first tranche of claim for the plant reinstatement. So as of now, when you compare the book value, the claims receivable will be a small amount because all the claim realization that has been done so far will be offset against the claim receivable that is recognized in the books, which is basically the net book value.

But the actual claim that needs to be collected will be on the basis of the restatement value. So naturally, as and when we complete the restatement, we will collect the demand.

Jinesh Gandhi: Okay. So this doesn't go through the P&L. Directly, it's recognized in the balance sheet.

Delli Babu: Yes. Because when we have written off, it would have gone to the balance sheet as claims receivable. So any cash flow that is coming in will go to the balance sheet only. Once we get in excess of whatever we have realized for the books, then it will come as part of the P&L account.

Moderator: The next question is from the line of Raghunandhan from Nuvama Research.

Raghunandhan: Congrats on good numbers considering the higher trading share and one-off related to Mangal. Sir, first one I had a question on lithium cell manufacturing facility. As you said that customer qualification process is currently going on, can you indicate for this facility, how many customers you have? And would that be across auto and industrial segment?

Also, that NMC2170 cell, you indicate that there is a partner who has been well respected in South Asia, China, who is the partner? Also, the PLI scheme that you have applied, would this 2 gigawatt hour be eligible, or would it be the future capacities that can get eligibility? That was on the cell manufacturing side, sir.

Delli Babu: Yes. See, as far as the first part of your question is concerned, Raghu, I said the customer qualification plant is under construction. But when it comes to understanding the product requirement of the OEMs, those discussions are anyway going on. So it is not that I can name any OEMs in this call. That is the first one.

The second one that you asked was on the -- who was partner on the 2170 cell. I don't think we will be in a position to name the partner, but we have as far as NMC cells are concerned, he is a reliable supplier based out of China, having presence in all these additional geographies. That is what as far as the partner is concerned.

The third question you asked is about the PLI, whether this 2170 will fit in or not? From the NSG grid, what has been given in the PLI, at 2170 level, it will -- I think it will fit into that. But when we get into higher energy densities that's where it will easily fit into that grid as such.

But I may have to come back to you whether the initial cell configuration, it still will fall into the PLI grid or not. I'm not remembering it immediately, but I'll come back to you. But I'm sure at an NMC level, the energy density grid will still be applicable. 90% it should fall in, but maybe I'll check once with my technical team and come back.

Raghunandhan: My second question was on Mangal. Can you share the EBITDA and PAT contribution in FY '24 or Q4, whichever you have handy?

Delli Babu: The overall EBITDA percentage improvement on account of Mangal is about 0.8% in FY '24. While I don't have an immediate PAT number with me, the EBITDA has increased by about 0.8%, both in FY '23 and FY '24. And as I said, that is without the tubular battery operations being there.

Moderator: And the next question is from the line of Aditya Jhavar from Investec.

Aditya Jhawar: The first question is on the lithium-ion cell. So are you seeing the companies are much more open, the global protect tie-up? Are we looking at equity participation, which can also help in funding, or we are exploring only a purely tech tie-up? That's the first question.

Vikramadithya G : I think if you look at the global scenario, India is definitely an exciting market because we have a burgeoning sector in the EV sector and already a huge stationary footprint. But as far as India as an investment destination, it is currently getting a little bit overshadowed by countries like the United States, where huge government incentives like the IRA and there's several countries in the European Union that are giving pretty attractive packages for people to come in and invest.

Secondly, for some of the players, especially the ones in China, investment route into India seems to be highly restricted at the moment. And we're not sure if that likelihood it's about to change anytime soon. So as per any sort of JV equity participation from China specifically, maybe that's not the right way to look at the moment.

And other players are obviously there from Korea, Japan looks like their efforts are more focused today towards the United States and IRA. As for Amara Raja, we are open to different modes of participation, and that's how we've been fostering to our prospective partners, but technology partnership, the technology licensing arrangement is the most likely scenario for the time being.

Aditya Jhawar: That's quite helpful. The next question is, is there any update on ACC PLI? Why I'm asking, sir, because, Vikram, you made a comment that tech partner would also help in laying out the manufacturing process and further help building up manufacturing. But the ACC PLI, one of the requirements is commissioning of the manufacturing facility with certain timelines. So any update where are we on ACC PLI? And what are the timelines that is mandated for commissioning of cell manufacturing facility?

Delli Babu: We have submitted the bid -- I mean, the tender. I think they are yet to open the bids as such on the PLI scheme. The latest we heard from them is it will take another maybe because of the elections and all, it may take another month or so for them to open the bid, and then it will take some time by the time the full award is given.

But going by whatever we have quoted for the PLI, we are confident of meeting those manufacturing time lines because we We are already working with other equipment vendors and as we mentioned in the earlier calls, there are even on the cell development side, we are working with other people.

So in that sense, whatever we have quoted for PLI, I don't think there is a big risk attached to it considering the terms and conditions that are there in the PLI scheme.

Moderator: And the next question is from the line of Rishabh Gang from Sacheti Family Office.

Rishabh Gang: Sir, I wanted to ask, on the lithium-ion side, since we are looking for this technology partnership now, so would our guided return on equities from the lithium-ion business actually improve going forward? And any timeline of such partnerships coming in?

Also, I wanted to ask the plant that we are actually building. Is the plant fungible to other technologies as well, like metal layer, sodium-based or even lithium-based compounds?

Delli Babu:

Yes. See, as far as the ROCE discussion is concerned, I think we had a similar discussion even in the earlier calls. We have explained earlier, we are seeing with the current version of missionaries that are being used and the capex estimates what we have seen and the cell prices what are prevailing today, still, we are confident the EBITDA margins in the range of 10% to 11% are still possible to be achieved.

But considering the way cell prices have come down, we have also seen some reduction in the overall capex numbers what we need in the initial construction of the factories. But the ROCEs can be estimated only when we look at overall size and scale of around 8 to 10 gigawatt hour.

Until that time, I think the business will continue to lead augmentation of capital, and there will be some cash burn that will be required. But eventually, when we look at other cell makers in other geographies, what we are looking at. If I were to make an estimate, obviously, I cannot certainly say this because there are many variables that are at play.

But when we look at other players and considering an asset turnover ratio in the range of 1.3 to 1.4 and the kind of margins what I have alluded to, we may still see return on equity around 12% to 13% or maybe 15% once we reach a scale of 10 to 11 gigawatt hour.

And maybe eventually, when it becomes a mature business, I'm sure the return on equity can be further improved to mid double digits. That's how I see it today. But considering the opportunity size, I think these numbers can change significantly when we gain the scale.

Vikramadithya G

Coming to the second part of your question about the fungibility of the lines across chemistry. Very technically speaking, we can change over lines and do deep cleaning and change the line from to operate from 1 chemistry to another, but we feel that's highly nonproductive and that's not how we will be designing for our plans.

Any time you change from one chemistry to another, this should ideally be a onetime change over, more or less permanent change. But it's not that on a subsequent running shifts very quickly you can be shifting from one chemistry to another. It requires quite a bit of time for cleanup changeover, and that's not something we're planning to do.

Rishabh Gang:

All right. Sir, my second question is regarding the lead-acid battery side. So I wanted to understand what is our total annual lead consumption? And in that, how much is the recycled lead requirement of Amara Raja, right, in FY '24? And how would it look in FY '25? I would appreciate if it can be in the terms of metric tonnes?

Delli Babu:

We consume roughly about 3 lakh tonnes of lead per annum and almost 70% to 75% of that will come from recycled sources. And going forward, that number will go as high as 85% to 90% as well because we have plans to increase the recycled lead portion with the commencement of our own recycling plant that is coming up. I would request Harsha if he has any further thoughts on this.

Harshavardhana G: Yes. So the securing the supply chain and also improving sustainability factors have led to good commencement of this recycling unit, which will ultimately do 150,000 tonnes per annum. Once it's instated, it will cover about 40% of our requirement, and we will continue sourced recycled lead from our existing vendors.

With the addition of our own units, we'll be able to do this in a much more efficient way with better recovery targets. And ultimately, the lead-acid battery being the most recycled product in the world, will have about a 99% efficiency and converting old product into new product.

Rishabh Gang: All right. Would you also plan to build more recycling capacity, right? Because to what I understand, the payback period for the recycling plants are very high. It's less than 3 years kind of stuff. So do you also plan to build more capacity? And what do you think about the supply chain for procuring the scrap for the recycling unit? Do you have such capabilities at the moment or you're building it across?

Harshavardhana G: So the first part of your question, we don't have any further plans on building new recycling units. I am sure we will be able to enhance the capacity of the ones we have coming up. It's actually coming up in phases, but with an ultimate capacity of that 150,000 that I shared.

We have a robust system of vendors and other recycling partners and smelters already existing in the country that we've been working with for 20 years now who we will be able to leverage them for the same.

In terms of collecting scrap, there we have a very robust mechanism within our channel for collecting scrap back as we're selling new batteries. We have access to different stocking points of scrap as well. And once recycling unit is up, we have the option to also import scrap. So collecting scrap is not a challenge for us, and we have many ways of doing that.

Rishabh Gang: Got it. Just last question is, what is your EBITDA per tonne for the lead actually recycled? Any idea on that? Because I understand one of your vendors makes INR18,000 per tonne. So any idea on how much you will be able to make?

Delli Babu: See, I think looking at lead acid the recycling venture as on a stand-alone basis may not be the right approach because the way we are building the facility is not only to recycle the lead, it is also to recycle the plastics. We'll be using those plastics again in the battery covers manufacturing.

So even if you align with the LME prices, the way that we are currently buying the lead and if we are able to source, like Harsha mentioned, source scrap from some geographies which are far more cheaper, I'm sure EBITDA margins can be definitely improved.

And with the technology that we are coming up with, we believe it will add to the recovery percentages what currently our vendors are having. So in that sense, it is definitely EBITDA accretive when we look at it on an overall consolidated basis. And also, it's an important sustainability initiative for us because eventually, when we bring more and more lead through the organized channels back, naturally, the lead that will be used in an unorganized market will start coming down.

And thereby, you will have more organized play emerging, and the lead being handled in a more responsible way. So it is a mix of helping our own improvement in the market share and doing the things in a more sustainable way and also ensuring the security for the supply chain. So it's a -- there are multiple objects surrounding the recycling venture rather than simply looking at it as only a financial returns approach.

Rishabh Gang: All right, sir. It's not EBITDA per tonne, how much incremental gross margins or EBITDA margins can come because of this?

Delli Babu: Our estimate is we should be able to bring at least about 2% to 3% incremental advantage on the material cost on an overall level, – and at EBITDA level should give us at least a 0.5% to 0.7% kind of an improvement.

Moderator: And the next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: In lithium-ion batteries you have mentioned that the CapEx would be around INR24 billion for the next 2 years. So just wanted to understand, is it for the 2.5 gigawatt or it is for the 4 gigawatt initial phase?

Delli Babu: See, as I mentioned, it will be for 3 projects. One is the 2 gigawatt hour pack line, the customer plant and the Pack facility and also some of the initial building construction that we need for the second giga factory. So it will be amount is spent over these 3 projects, plus some bit of building construction that may have to be completed for the second giga factory as well.

Abhishek Jain: Okay. So when it will be commissioned the first phase of 2 to 2.5 gigawatt?

Delli Babu: As Vikram mentioned, the cell line is concerned, it will be towards the end of FY '26.

Abhishek Jain: And sir, you have also forayed into the lubricant business, and you are quite aggressive in that business from the last few quarters. So if you can throw some colour on this, what kind of the revenue you are targeting, what would be the margin in that business?

Harshavardhana G: Sure. I'll take that up. Yes, we've been quite aggressive over the last 2 quarters, specifically in diversifying the automotive aftermarket, and we have entered into lubricants. Our target for the year as last quarter, we finished around INR25 crores. Target for the year will be in excess of INR150 crores.

Abhishek Jain: Sorry, sir, how much?

Harshavardhana G: In excess of INR150 crores.

Abhishek Jain: In FY '25?

Harshavardhana G: Yes.

Abhishek Jain: And what would be the margin, EBITDA margin?

Delli Babu: The margins could be in the same lines of what we have for our existing business is because it is still at an nascent stage. It is definitely giving us same margins as what we are seeing in our regular business as such.

Abhishek Jain: Okay, and my last question on the Mangal Industries. Basically, we are expecting around 150 to 200 bps of the improvement in the EBITDA margin, but we have seen only the 0.8% improvement in the margin because of this integration. So can we expand that going ahead because of this integration, margin expansion would be around 150 to 200 bps?

Delli Babu: No. See, as I mentioned earlier, 0.8% is the EBITDA margin. We said it will be in the range of 1% to 1.2%. I don't think we said 2% because it's only 10% of the total material cost is what it is. And then because of the lack of capacity that is being -- I mean, we're not manufacturing those batteries, that's where the throughput on the plastic venture has also come down, that is where it is a shade less than what we actually said.

But I think once the tubular factory is coming back to operations towards the end of this financial year, I'm sure we will be able to meet the financial targets what we have set for the organization.

Abhishek Jain: And any benefit of this...

Moderator: Sir, please come back in the queue for the follow-up question. The next question is from the line of Anirudh Shetty from Solidarity Investment Managers.

Anirudh Shetty: I have 2 questions more around just the overall industry per se. Sir, my first question is it pertains to the new energy vertical and what I've been reading is that companies in China like BYD and CATL are talking about like a further 50% reduction in battery cell prices for this year.

Through a combination of just dumping and government support, scale, automation, they're able to kind of keep prices very low. So over time, do you see challenges in being able to localize the lithium-ion market in India? Because of the challenges that could come from China pricing the products very aggressively?

And how important do you think support from the government in various forms, whether it's potential antidumping duties, how much of that is actually required for the localization to play out in lithium-ion?

Vikramadithya G : Yes, definitely, we believe that the pricing pressures that are coming from China is going to be quite -- it's going to provide a challenge for India. But actually, I would say, if you flip the question, it's going to provide more challenge to other Chinese players.

What we understand, talking to our prospective partners today, there's more than 200 lithium players in China, and there's an active effort to reduce that amount, consolidate that market to by at least 60%, 70% to really come down to a lower number because there's a very large amount of underutilization of capacity, stagnant capacity sitting in China today.

So after that, I think inevitably, there's only so much that prices can drop. We also have to look at material prices are not dropping as quickly as the cell prices are dropping. So how sustainable

and how long can they continue to do that. When it comes to India, I think that's where a lot of the reason why we're looking at a partner that can help us to absorb some of these rapid changes in price by having a very robust supply chain and helping us - there's a couple of parts to your question, please let me know, I can answer that as well.

Anirudh Shetty: Yes. And a slightly different question, but more on the stationary storage side, we are seeing capacities being added, but the battery storage still remains underpenetrated. So what are the constraints that are there today? And what would need to happen for the battery storage to pick up in India? And also your thoughts on just the rooftop solar opportunity, do you think that could be a sizable market for us over time?

Vikramadithya G : Yes. Thanks for the question. I think when it comes to storage, today, probably in terms of capacity, the pumped hydro or nonchemical stores, nonbattery coming as the bigger option. But pumped hydro has its challenges. It requires a very huge project financing, lead time and it's limited. Obviously, you need to have those formations geographically appearing in order to be able to do that.

Battery, I think it's a function of both price of battery as well as policies. And in the country, we don't have uniform policy across all of our states in power that needs to -- that leads to a lot of confusion and differences in how robust of a energy storage rollout we can have that would help quite a bit and price definitely needs to come down a little bit more for it to be more relevant and more applicable in a wider range of applications.

As in the solar part. I think the rooftop solar, of course, we're watching pretty actively given the PM's recent announcement. But I think the same thing happens there. From state to state, we have wildly different policies and to be able to really roll out in a nationwide a larger rooftop solar thing, I think there's always some limitations doing that.

So larger roofs, industrial roofs have seen that benefit, but how to penetrate further in the home market in a larger way, we'd like to see personally more policy consistency across all states.

Anirudh Shetty: Got it. And on the battery storage front...

Moderator: Sir, can you come back in the queue for a follow-up questions? The next question is from the line of Himangi Tiwari, an individual investor.

Himangi Tiwari: Sir, what are your thoughts on domestic supply of lithium in the context of the discovery of lithium reserves in Jammu and Kashmir and any other part across the country? And when do you think that the mining and extraction of such resources would be commercially usable and to what extent such mining in India can improve the competitiveness of Indian made batteries with the Chinese imported from China?

Vikramadithya G : Thanks for the question. As per the findings within India for the lithium deposits, that's not something that's factoring into our next 5 to 10 years plan. I think because it requires a lot more than the mining once everything is coming out, refining capacity, various parts of the value chain have to be located in India for it to be very beneficial for the near term.

I'm not too, to be honest, I'm not very sure on the timeline and the process it takes to actually get that commercial mine up and running over there, but it's not part of our immediate plan.

Eventually down the line, if truly, there's significant deposits coming in and we can attract investments into more of the downstream, which requires us to refine the lithium and then formulate cathode here in India, definitely, that can be a huge advantage, but I believe that it's going to take more than the next 5 years of our planning.

Himangi Tiwari: Right. And I had another question. So for the export segment, like what is the use case and benefit of importing a battery from India versus using the battery in their own country, like, for example, for the developed nations? And which other countries at present exporting lead-acid batteries for developed nations? And any Indian players doing this?

Delli Babu: Harsha, you got the question?

Harshavardhana G: I'm sorry, can you repeat that once?

Himangi Tiwari: Yes. So what is the case on the benefit of importing a battery from India, like for the customers, for our customers to export countries? What are you benefit for them for exporting from India versus producing in their own develop -- in their own country like some developed nations?

And which other countries are presently exporting lead-acid batteries to developed nations? And any margin profile difference for export business versus domestic business for Amara Raja?

Harshavardhana G: Okay. Thank you. I understand the question. I think first, it really depends on the type of customer and the geography. If you look at some of our stronger areas like Southeast Asia and Middle East, we've been in the market for almost 2 decades now because we have a superior product performance and quality, which was not characteristic of some of the Asian suppliers, for example, Korea and China, now in Vietnam also. So we have that performance and quality benefit.

And similarly, into the Middle East. Now of course, when we're looking at markets like Europe and North America, our benefit is the fact that we're able to give the same, in some cases, slightly better quality also for a more competitive price.

So people that were -- are either trying to get certain amount outsourced for that benefit or they're trying to replace China, we've been a very viable supplier in that sense. And between domestic and exports, like I said, Middle East and Southeast Asia, we've been able to offer similar products as we have in India at sometimes better realizations as well.

But the ultimate benefit we have as an organization is that when we're going to markets like North America, we're able to actually sell much more premium products than we do domestically. So that will be the difference.

Himangi Tiwari: Okay. And how much can you tell the price difference between our price and any other prices from U.S. or China?

Harshavardhana G: I think at that level, I don't have the information.

- Moderator:** And the next question is from the line of Samil Surendran from Argus Media.
- Samil Surendran:** My question is on the Pack facility. What is the initial capacity that is going to go commercial next month?
- Delli Babu:** See, the facility is being built for an eventual capacity of 2 gigawatt hour, but the first line will I mean, which can be further expanded to 5 gigawatt hours. But right now, we'll be starting with a 1 gigawatt hour line in addition to our 0.5 gigawatt hour facility what we are having in Tirupati, so together between both these facilities, we'll be having about 1.5 gigawatt hours as capacity.
- Samil Surendran:** Okay. And sir, in the Phase 1 for the capacity, what chemistry are we currently looking at?
- Delli Babu:** It will be both. I mean, the factory will be with NMC and thereafter, we'll be starting with the LFP chemistry as well.
- Samil Surendran:** It is LMP?
- Delli Babu:** Yes, NMC and LFP are the 2 relevant chemistries for some markets, and we'll be starting with the NMC, which is more catering to the 2-wheeler application and thereafter, we'll be moving to the LFP chemistry as well.
- Moderator:** And the next question is from the line of Raghunandhan from Nuvama Research.
- Raghunandhan:** Sir, on the lead-acid side, lead prices have seen about a 10% increase if I see the current price versus the last quarter. So any pricing actions you're contemplating to offset the commodity cost increase?
- Harshavardhana G:** Given lead prices that the tendency to make these moves occasionally, we don't make very dynamic pricing changes. We see that when the price consolidates, we do make that change in the market. But we also know that we're not quick to react as prices fall. So we try to maintain that unless there's some very adverse move on the lead prices.
- Raghunandhan:** Got it. So no pricing action in April, May taken in the replacement market?
- Harshavardhana G:** No.
- Raghunandhan:** Secondly, just a clarification. On the lubricant sales, that will reflect in the stand-alone business, right?
- Delli Babu:** Yes. Yes, Raghu.
- Harshavardhana G:** Yes. That's correct.
- Raghunandhan:** And on the lead-acid industrial, within Industrial, can you share how some of the segments like telecom, UPS have done for the quarter and the year?
- Delli Babu:** They are not very dissimilar between one another. I think more or less every segment is doing within a range of 1% or 2% here and there, Raghu, nothing specific to add further.

- Moderator:** And the next question is from the line of Jinesh Gandhi from Ambit Capital.
- Jinesh Gandhi:** A couple of questions. One is can you talk about the price increases we would have taken in FY '24 as a full year on the replacement market side? I mean are we seeing enough of pricing power in the market now in the replacement market?
- Delli Babu:** Yes. As Harsha was mentioning, Jinesh, we did, I think, one or two price increases during the FY '24. I think I don't exactly remember the numbers. If the lead costs were to consistently be at a higher level, we will still be able to take some price action.
- But I mean that has to be taken based on the competition and various other factors. But I don't think there is any erosion in the aftermarket segment for us to not to take a price increase in spite of a severe cost escalation.
- Jinesh Gandhi:** Got it. And secondly, on the cell manufacturing plant, so we indicated that there is also joint development of the cell being undertaken right now. So based on that, by when do we expect to see commercial sales of cell to happen because once our cell is developed, we'll have to get it validated from our customers. So do you think we should be able to see some bit of commercial revenues from FY '27 itself or it should be a bit longer than that?
- Delli Babu:** Yes. We should see some revenue in FY '27, yes.
- Jinesh Gandhi:** Got it. And lastly, I clarification, you mentioned our own recycling plant will contribute 20% of our lead requirements. Is that correct?
- Delli Babu:** once we have the full capacity, it should go even up to 35%-or-so. I mean, by the time, obviously, our lead requirement also will increase from the current level of 3 lakh tonnes. It will oscillate anywhere between 30% to 35% of own capacity.
- Moderator:** And the next question is from the line of Vibhav Zutshi from JPMorgan.
- Vibhav Zutshi:** Just a housekeeping question on the capex. I think in previous calls, you mentioned that the 2 gigawatt hour cell capacity would need around INR1,500 crores of capex. Is that number still in that ballpark?
- Delli Babu:** Yes, yes, Vibhav. Yes.
- Vibhav Zutshi:** Okay. That's helpful. And just when I look at your longer-term plan to go to 16 gigawatt hour and INR9,500 crores of capex. But just wanted to know how you're thinking about funding this? Because you mentioned that the JV route or equity investment may not be possible with China right now.
- And obviously, healthy free cash flows, but obviously, the amount of capex is quite significant. So any fundraising plan, any debt that will be taken?
- Delli Babu:** Yes, Vibhav, I think we have to I mean, as mentioned in the earlier calls also, I think the initial capex of between this year and part of next year, I'm sure we'll be able to take that burden on the holding company balance sheet considering the free cash generation what we are having.

And the once we have the initial capacity is up and running I'm sure we can explore other possibilities of funding that growth either through debt plan or an equity plan at that time. So a comprehensive financing plan for this, I mean, considering various factors available is being drawn upon. So we have some plans for looking at mobilizing finance at least for the next couple of years through the holding company and then thereafter, that business has to find its way of funding its growth.

Vibhav Zutshi: Got it. Got it. And just 1 last question. The tech partnership that you mentioned, so is it fair to say that this is primarily for the supply chain linkages and the licensing agreement?

Delli Babu: No, I think, see, when we look at as Vikram has explained, it will be a partnership looking at the cell product technology for certain -- I mean, higher cells, which we need for 4-wheeler and other applications. And also, part of that will be our ability to access the supply chain relationships that our partner may have, which will help us meet the cost requirements.

Vibhav Zutshi: Okay. Got it. And just 1 last question. So you are already in the discussions with OEMs including 2-wheelers, 4-wheelers and telecom players for the cell supplies, is that correct?

Delli Babu: Yes, there are multiple discussions happening with the various customers who will be needing packs. And as such, when they need pack, it's obvious that they also will be requiring cells. So there are various technical and commercial decisions that do happen with many OEMs and other energy storage customers.

Moderator: And the next question is from the line of Rishabh Gang from Sacheti Family Office.

Rishabh Gang: Sir, I wanted to know what is your view, like 5 or 10 years view of the lead-acid battery business? So actually, I was reading some report, it mentioned about our terminal growth rate of about minus 10%, so how do you actually see the segments of automotive, industrial and export evolving over 5 or 10 years? And any view on the terminal growth rate that you think about this business for 10 years?

Harshavardhana G: So if I can address this by application. On the automotive side, definitely, we know that the decarbonization of transport has been a new priority driving a lot of investment and buildup of technology on the EV side. That being said, the applications for lead-acid battery in both start-stop and hybrid vehicles and auxiliary battery in electric vehicles, is it quite a runway and I'd be conservative to say 10 years of that runway, where we would see different levels of growth across the world.

But what we've seen in India from high to low double digits would slow into maybe mid- to high-single digit. And in Western economies, we're seeing that it's a low single digit. So I don't see -- we don't feel there's a degrowth happening soon, but definitely a plateauing.

And the jury is still out on how long lead-acid battery will be used as an auxiliary battery. But it stands to show that at the moment, all EVs are coming with both lead-acid auxiliary battery. That's largely on the 4-wheeler.

Two-wheeler, we know that the electrification is happening much quicker. We're approaching with cautious optimism in this regard. We're seeing record numbers in our aftermarket growth, and we've seen good growth in OE. But we are also calibrating our CapEx.

We are squeezing out more and we're sweating our assets to make sure that we're not losing any opportunity, but the runway is definitely shorter there.

On the industrial side, we're seeing disruption in telecom, especially with the prices of the lithium cells and pack becoming much more competitive in terms of TCO over this last year.

In the UPS -- industrial UPS segment, lead-acid is still having quite the runway because there's no form factor limitation there. For data centre, lithium is taking a larger share. And you know that runway would be limited. We have a specific small format of battery that is showing at least a 10- to 15-year runway given the performance requirements in certain applications like elevators, short backup home UPS, these are having longer runways.

So we're quite cognizant of these changes. I know I've put out quite a few applications here. We're tracking them at an individual level, and we're taking calls appropriately.

Rishabh Gang: So at what point of cost -- at what efficiency level, right, will lithium-ion battery make lead-acid battery redundant for industrial application? Also I would like to know what is the use case and benefit of lithium-ion against the lead-acid battery for industrial use?

Harshavardhana G: So for industrial use, if I look at performance characteristics, lithium is much more competitive when form factor is a limitation, when increased cycle life is a requirement and of course, when it's a power application, especially like data centre where the battery would be discharged in a very rare occurrence, but you would have to run that entire data centre until the alternative energy source comes online.

So these are certain areas where lead-acid battery is not especially competitive. That being said, there are various programs that we are running and also in the industry at large, where characteristics like dynamic charge acceptance, compression of the form factor, all these things are being pursued. So there is a middle ground between how a lead-acid battery is performing now and what we see from lithium that could potentially be covered and extend the runway.

Rishabh Gang: Also one analyst actually, you asked about export business. I wanted to understand what is the margin profile difference for export business versus domestic business of Amara Raja?

Delli Babu: We don't discuss the margin splits at the subsegment level in these calls.

Rishabh Gang: No, that is fine, sir. But can you give some direction on that?

Delli Babu: No, they are all in a reasonable range.

Rishabh Gang: All right. Just 1 question on the EV side. So I understand the auxiliary battery is for all functions other than the propulsion of vehicles. And since EV have a lot of electronics inside it, could that lead to a bigger lead-acid battery for supporting the entertainment system and other functions?

Harshavardhana G: In 12-volt electrical system the lead-acid batteries is actually AGM battery, which is able to support the increased usage of electronics. It's able to operate at a partial state of charge, and it's been sufficient till now. We believe that over time, as vehicles move to a 48-volt system, that's when other chemistries may be coming in or even a different technology on the lead-acid like bipolar would have some visibility.

But that is speculation at the moment, and we're carefully monitoring the industry trends in this regard.

Rishabh Gang: All right. Just 1 last question, sir. In the past, right, so we have merged the promoter companies which were doing a task in the value chain of the business in which our listed entity is also engaged in. Do we still have any other promoter company which is doing any business related to batteries or energy? If yes, do we also plan to merge it in the future as well?

Vikramadithya G: Okay. Mostly, everything that's selling any significant quantities into the listed entity now has been either merged or acquired by listed entity. Possibly, we have a construction company that continues to provide services. We have no plans to merge that as the bulk of the sales for that company comes from outside. As well, we have an electronic manufacturing company that provides the home UPS systems that goes into our Amaron Power Zone various brands and channels, but that's also not seen as -- it's core. It's more to provide general electronic manufacturing for the industry. We don't have any further plans at this time to merge any further entities of the group into Amara Raja Energy & Mobility.

Rishabh Gang: Okay. So no major other business, right?

Moderator: That was the last question. I now hand the conference over to the management for closing comments.

Delli Babu: Yes. Nothing further to add, I think. Thanks everyone for your time, and thanks for the questions that you have raised. See you soon. Thank you.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.