AMARA RAJA | ENERGY & MOBILITY

February 14, 2025

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 February 05, 2025, the transcript of the Investor/ Analyst call held on February 10, 2025, 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

This is for your information and record.

Thank you

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

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Digitally signed by VIKAS SABHARWAL
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Vikas Sabharwal
Company Secretary

Energy & Mobility Limited * Amara Raja

Encl: a/a

"Amara Raja Energy and Mobility Limited Q3 FY25 Earnings Conference Call"

February 10, 2025

MANAGEMENT: **MR. Y. DELLI BABU – CHIEF FINANCIAL OFFICER, AMARA RAJA ENERGY & MOBILITY LIMITED**

MODERATORS: **MR. ANIKET MHATRE - MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 Earnings Conference Call of Amara Raja Energy and Mobility Limited hosted by Motilal Oswal Financial Services 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 the '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniket Mhatre from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Aniket Mhatre: Thank you, Steve. Good evening, everyone. Welcome to the Post Results Conference Call of Amara Raja.

At the outset, I would like to thank the Management Team of Amara Raja for giving us an opportunity to host this call. From the Management Team, we have with us Mr. Y. Delli Babu – Chief Financial Officer of the Company.

I would now like to hand over the call to Mr. Delli Babu for his "Opening Comments" on the Company's Q3 Performance, post which we will begin the Q&A session. Over to you, sir.

Y Delli Babu: Very good afternoon to everyone who is on the call. Thank you for your interest and time.

During the current quarter ending on 31st December 2024, the consolidated revenue for the business is about Rs. 3,272 crores with a growth of about 7.5% over the previous year. With the lead-acid battery contributing about 96% of the revenues and the rest coming from the new energy business, both from the battery packs and chargers. See, the lead acid battery business has witnessed a revenue growth of about 9% over the previous year. On the back of a strong volume growth from both automotive as well as industrial segments, barring the telecom segment where due to change into the lithium chemistry, the lead acid volumes have come down compared to the previous year.

The four-wheeler volume growth for the quarter in the aftermarket side is about 11% and the OEM growth in the four-wheeler segment was muted during the current quarter compared to the last year numbers. The export volume registered a growth of about 8% to 9% during the quarter. There are some order changes which I am sure by the year end we will again pick up a double digit growth in the export volumes.

The two-wheelers, both in the aftermarket as well as OEM segments have grown around 16% to 17% kind of a growth continuing the aftermarket growth momentum in two-wheeler even in this quarter. In the other applications, both tubular batteries and the home UPS systems have grown by about 15% in volumes compared to the previous year. And the Lubes business that we have started in the last financial year has also gained some good traction. In the current quarter, the overall revenue is about Rs. 100 crores from the Lubes distribution business.

On the industrial segment, both the UPS and the exports have grown significantly, but the overall volume growth is muted because of the dip in the telecom segment. In the new energy business, because of some changes in the OEM uptake, there is a reduction in the overall revenue compared to the previous year by about 20%. But I'm sure with the localization plans for the chargers getting completed, we are expecting that we will be able to recover this loss through the financial year. And in terms of the overall trading revenue from the business on a standalone basis, this quarter the trading business accounts for about 10% of the total revenue. And when we look at the gross margins, there is a dilution on account of majorly two factors. One is there is a bit of an increase in some of the alloy metals like tin and antimony. And also, there is a power cost that we had to provide for in this quarter because there is a fuel purchase cost adjustment that has been done by the AP government for the Financial Year 2023-24. So that revision of the power cost has to be provided for in the financials in this quarter. So that's kind of impacted the operating margins close to about 1% to 1.2%. And in line with this higher cost that has been levied, we may have to create some more provision for the current financial year in the Q4 of this financial year, which may have impact around 0.4% to 0.5% of operating margin. But going forward, with the increased renewable portion in our overall power procurement, we expect to reduce this impact in the upcoming financial years.

And on the other updates, we have received on the tubular plant that we are reinstating after the fire accident. We received a cumulative insurance claim of about Rs. 275 crores so far, which is more than the book value what has been recognized towards this plant in the books, which is where you would have seen an exceptional gain of about Rs. 111 crores in the financial year. And this plant is expected to commence its operations by the beginning of next year, next financial year. Then on the recycling plant in this quarter, we have commenced the 1st Phase of commercial operations of the refining capacity of 50,000 tons, we have started the commercial operations in the current quarter, and it will continue to operate at a full capacity for the next quarter as well. And then we are expecting to start the smelting operations, that is the battery breaking operations, sometime towards the end of Q1 of next financial year.

And you'd have also noticed the other comprehensive income to be negative, about 132 crores in the financials, that's more because of the fair value reassessment of some of the investments that we made into some startups. We have done the fair value reassessments, which is why that loss is seen over there. We are seeing the volume momentum continuing in the domestic aftermarket and also our offtakes to some of the export markets continues to be robust. With the lead acid battery business posting reasonable growth over the next quarter as well. And in the new energy business, we have just commenced our first tranche of commercial deliveries of the two-wheeler packs as well as we have completed the localization of portable chargers for two-wheeler and three-wheeler applications. Then we are moving ahead with our first giga factory work. We expect that the first giga factory on the NMC side might commence its operations, as mentioned earlier, either towards the end of next calendar year or beginning of 2027.

So with those brief overview, I would now request if you have any specific questions, we can take them up.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Yes, thank you sir for the opportunity. Starting with the other expenses, as you mentioned about the electricity cost, going up about 100 bps to 120 bps impact for this quarter. But I still see the other expenses also being higher by around 170 bps Q-on-Q. Can you just explain what are the other expenses had seen increase this quarter also?

Y Delli Babu: See the total QoQ expenses increase is about Rs. 51 crores. Out of that, about Rs. 37 crores is power. The rest of the expenditure are some of the advertising expenditures that we have incurred during the current quarter, the expenditure are incurred based on the activities that we perform in a given quarter. So, and also some bit of increase in our overall freight expenditure considering some of the additional trading business that we have done during the current quarter. Beyond that, there are no other significant increases.

Mumuksh Mandlesha: Got it. And just for next quarter, the under 40 to 50 bps of impact would be seen for the more electricity provision, right sir?

Y Delli Babu: Yes, I'm expecting it could be around 0.4% is what is my estimate at this time. But obviously we need to fine tune that estimate that's the current estimate that I have.

Mumuksh Mandlesha: And next year onwards from the current level, it should come down?

Y Delli Babu: Yes, it should. It should come down because this is more coming on the back of higher procurement cost that the government has taken up, it should come down both on account of grid power coming back to its normalcy as well as we increasing some more third party power procurement both from the renewable side as well as some of the procurement from the power exchange side. So I'm sure this number should again go down.

Mumuksh Mandlesha: Got it. Sir, coming to telecom segment, can you share what was the revenue share for this quarter? And considering the shift happening to lithium battery, I mean, any near term, what kind of fall we expect for this segment?

Y Delli Babu: The current quarter revenue is still about 10% to 11% of the total revenue. In the telecom side, including my lithium-ion battery packs that we are supplying, still it accounts for about 10% to 11% of our overall revenue. But only on the lead-acid side if you take because these are still initial days in terms of our overall lithium supply. So around 9% of the overall revenue is from the telecom lead-acid battery business. I think we will see a conversion of lithium into telecom going forward as well. But this being one of the oldest plants that we have, so it is not a huge drain as far as the profitability is concerned.

Mumuksh Mandlesha: And currently how much is the fall sir in telecoms?

Y Delli Babu: On an year-on-year basis, about 25%.

Mumuksh Mandlesha: Got it. Sir, on the lithium cell plant, just on the ones that commence operation in CY27, based on the ramp-up plants and the orders which we have won, what kind of revenue we expect, sir?

Y Delli Babu: On the pack side, on the lithium both packs and charges last year we clocked the revenue of about Rs. 500 odd crores and this year also we expect to meet that number maybe a 10% higher than what the number last year was. So that's the number that we are looking at, but going forward in the next year with the new charges that are getting localized and also some of the DC fast chargers products that are getting ready and ramping up some of our battery patch to other product segments, both in the storage side as well as mobility side, we should see some bit of growth. But at this time, it is too early for me to put a number around how much it could be. I mean, it should be sizable enough, but at least in my mind, it should at least be in the double digits. But I wouldn't be able to put a number right now for the next year's growth.

Mumuksh Mandlesha: Got it. I was basically asking for the cell plant, sir, the NMC cell plant. What is your operation? What kind of revenue we see, sir?

Y Delli Babu: See, the current price levels of NMC cell is around $70 to $75 per kilowatt hour. So, our phase 1 capacity out of the 2 gigawatt hour, maybe initially we will start with half of that 1 gigawatt hour kind of a number. So, it also depends on the offtake. So, I mean, that's the kind of initial revenue what we can expect depending on how the demand ramp up happens. Thereafter, we have to see how it goes.

Mumuksh Mandlesha: Got it. If possible, any kind of order number would you have or any key customer win, sir, in recent times in the cell side?

Y Delli Babu: Apart from the earlier announcements what we made for 21,700 cells with a couple of, one of the OEMs that we have entered into an agreement. There are discussions with other OEMs because these cells predominantly go into two-wheeler and three-wheeler applications. So there we are in touch with a lot of OEMs that are interested about the offtake, but I don't think I'm in a position to give you specifics around it.

Mumuksh Mandlesha: Got it, sir. Thank you so much for the opportunity. That's all from my side.

Moderator: Thank you. Before we take the next question, we would like to remind participants that you may press '*' and '1' to ask a question. The next question is from the line of Vaibhav Joshi from JP Morgan. Please go ahead.

Vaibhav Joshi: Yes, thanks for the opportunity, and congratulations on the strong volume growth. Just coming back on the lithium-ion side, can you just provide some updated timelines of the next plant that is stated to come with Gotion where you're highlighted that 4 to 6 gigawatt hour could be potentially possible because it looks like even the first phase is seeing a bit of a delay because earlier we were planning to commence commercial supplies in FY27 and now it looks like we come up with a 1 gigawatt hour by early CY27. So, yes, just some updated timelines on the NMC as well as the LFP plant with Gotion would be helpful?

Y Delli Babu: Yes, I think on NMC, first phase also, I think we earlier mentioned towards the end of calendar year 26, which is what is getting maybe there could be a delay of a quarter here and there. As far as LFP is concerned, as I mentioned earlier as well, it will take at least another 3 to 4 quarters after the NMC plant commencement because there will be preparation exercises that are currently going on indicate that it may take that much time considering various gestation periods for capital equipment and also some of the software development that is required.

Vaibhav Joshi: Got it. And this is a follow up to this, the press release that you mentioned that there are some headwinds in the sector. So what exactly are these headwinds? Is it like the lower cell pricing or over capacity from China? So, what exactly are these headwinds that we are talking about?

Y Delli Babu: See, I think all these conditions around the oversupply and the pricing pressure, volatility in the raw materials, these are all points that are definitely there. As we mentioned in earlier calls as well, any investment in this will go in a calibrated manner because the high capital intensity, we can't be taking that penalty. So, in that way, as I mentioned earlier also, we don't mind delaying a bit, but ensuring that the capital that we put in is getting used as early as possible. So, in that sense, we will time the CAPEX in a manner that it is not becoming financially burdensome. And it is not that the timelines, whatever we are targeting today, I'm not saying they are not subject to change. We should be changing them given the financial interest and also the way the product offtake has to happen because even the product requirements for various OEMs might undergo a change. According to that, we have to make amends to our own preparation and our own product mix what we have agreed. So those things keep undergoing a change. I think this is not a business that is everybody has understood every bit of it. This I think we have discussed multiple times in these calls.

Vaibhav Joshi: Yes, that's fair. My second question is on the lead acid battery business. So just to understand correctly the impact of the higher electricity cost. So if your normal margin level say is 14%, 14.5%, then there could be an impact of 40 to 50 basis points in the next quarter. Is that understanding correct?

Y Delli Babu: Yes. And next quarter also, mind you, next quarter also has this headwind in terms of the currency depreciation because this also impacts the overall lead prices and we have to see how this goes considering both the metals, the lead staying around the 1900 but the currency depleting to almost 87.5 to 88, what kind of impact it will have towards the end of next quarter is something to be seen. That's definitely another factor that is coming up. But I'm sure we will find ways and means to mitigate it through some actions here.

Vaibhav Joshi: Got it. That is really helpful. Thanks. I will come back in the queue.

Moderator: Participants who wish to ask a question may press '*' and '1'. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good afternoon, sir. So on the telecom segment, just wanted to understand if one is to take into account the overall revenue opportunity, including lithium-ion as well as lead acid. Is the market growing or it is not growing? I mean, any assessment there?

Y Delli Babu: You are asking in terms of margins?

Kapil Singh: No. The industry revenue, is it growing if you take both the lead acid and lithium-ion put together? Is the demand growing in the industry?

Y Delli Babu: The lithium procurement prices are marginally higher than the lead acid by about close to 10% to 15%. So in that sense, the overall potential of the telecom segment as such is not undergoing any significant change either upwards or downwards.

Kapil Singh: Okay, but what I was trying to understand is, is there like is there demand, what kind of demand growth are you expecting if you put together both lithium-ion and lead acid?

Y Delli Babu: From overall revenue perspective, it may be completely muted considering that the new tower expansion as such is not growing in such large numbers. Whatever comes is going to be a replacement demand and lithium will have a longer replacement cycle as compared to lead acid. So, I don't see much of a growth rate coming up in the telecom segment as such in the immediate future.

Kapil Singh: Understood. And sir, is there any plan to sort of repurpose these capacities or to use them in future because the way things are moving, it looks like over a longer term this at least the telecom segment may not need lead-acid batteries, right? So how are you thinking about using these capacities?

Y Delli Babu: See this capacity is as I said, this is the first factory that was put in by Amara Raja about 20, 25 years ago. So from that point of view, the current capacity utilization around 65% to 70% is actually not taxing on the overall profitability margins as such. But yes, we will see if there are other opportunities where we can use that machinery. But generally, being LVRLA batteries, beyond telecom, there are very few applications where those batteries are used. We are also looking to see if there are any export opportunities for that particular product. But we will see if there are other product segments that we should think about and then repurpose those machines. But as such, they being very old machines, maybe we are better off going for newer and advanced machinery than repurposing them. Because the overall net block that I'm carrying on that factory will not be more than 50 crores.

Kapil Singh: Okay, understood. And on the pricing of the batteries, can you give an update because the currency has been depreciating, as you said, how much cost pressure are you observing right now? And is there any pricing change we have done in the last few months?

Y Delli Babu: No, we have not taken up any price change as of now. But I'm sure we'll have to see which way the lead moves from here. That's an important aspect for us to consider. Moreover, there is a lag that will be there for about maybe a month, month and a half before the high cost lead hits us. Also, some of the lead that we are procuring for the internal compliance of BWMR rules on the scrap that we are procuring. The domestic scrap procurement is also steadily increasing. We have to look at this mix and then if there is a permanent increase in the raw material cost, then we have to deal with it appropriately and as you know anyway, we have these pass-throughs with the B2B business. But aftermarket is something we need to take that decision at an appropriate time.

Kapil Singh: Sure, sir, and just last question I wanted to check. For NMC facility that is coming up for the cells, what is the EBITDA breakeven level of production that we need to do to sort of breakeven?

Y Delli Babu: See, as I mentioned earlier, the NMC plant, per se, at the 2 gigawatt-hour level will not deliver when we said that the entire lithium capacity has to mature to a level of at least 7 to 8 gigawatt-hour kind of a number for it to really deliver the targeted EBITDA margins in the lower double digits. But at the initial level for this plant, at least for until we stabilize on the throughput and process craft etc., it will have some bit of pressure at least for 2 to 3 years only then we will see that some positive margins coming up. But this is a long game. I don't think I can give a number around what EBITDA margin that I will immediately hit on the day one of the factory commencing its operation.

Kapil Singh: Yes, sure sir. I was actually not looking for EBITDA margin but product capacity utilization at which you achieve EBITDA breakeven.

Y Delli Babu: See, the utilization level generally in this segment, they deliver the optimum margins if we are able to achieve around 85% or so. But that will definitely depend on two variables. One is the demand, the other is obviously the client ramp up as well.

Kapil Singh: Sure, sir. Thank you and I will come back in the queue.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Good evening and thank you for the opportunity. First question is on pricing. Some of our checks suggested that competition is hiking prices by up to 3% in the aftermarket, this month itself, so would Amara Raja kind of be following suit there on the price hikes?

Y Delli Babu: Mukesh, you know I can't give a pricing decision over an investor call. But nevertheless, as I mentioned earlier, we will definitely review those prices and then see what decision to be taken in the aftermarket in the light of the dollar appreciation.

Mukesh Saraf: But directionally, the call will be through kind of preserved margins over any kind of market share or any such target there?

Y Delli Babu: See, I don't think we are going to dilute the margins for any higher market share as such, Mukesh. I think that direction is clear for us.

Mukesh Saraf: Sure. Got that. And I think most of my other questions are answered. But if you could just give an update on CAPEX, how much we have done and what could be the next year's CAPEX?

Y Delli Babu: See, this year, including the tubular restatement, which is taking close to about 400 crores, in addition to that, as I mentioned earlier, we may have to spend another 300 to 350 odd crores. So, the total CAPEX for the current year could be around, if I leave the tubular numbers aside, we may touch about Rs. 400 crores in the overall CAPEX outflow and maybe another Rs. 200-Rs. 300 crores on the new energy business. So that's the CAPEX outflow. Next year we should see at least about on the lead acid side. I need another Rs. 300 to Rs. 400 crores of CAPEX. And in the new energy side, may need about another 500 to 600. So next year may see a Rs. 1000 crore kind of outflow.

Mukesh Saraf: Got that, sir. Alright sir, thank you. I will get back in the queue.

Moderator: A reminder to all participants that you may press '*' and '1' to ask a question. The next question is from the line of Balkrushna from Axanoun Investment Management. Please go ahead.

Balkrushna: Good evening sir. My first question is related to lead acid business. So how are you anticipating the demand in terms of volume as well as total revenue perspective in the next financial year?

Y Delli Babu: See, as we have discussed earlier, both the four wheeler segment, we have always seen the overall market demand around 8% to 9% kind of a growth and two-wheeler demand growing around 11 to 12 or in some quarters, it has even gone to 12 to 13 as well. And we will see the UPS segment in the industrial side still growing at 6% to 7% kind of a number but exports market is where we believe we can grow at least another 13% to 14% kind of a number next year as well. So given all this volume backdrop and also the traction what we are seeing on our lubes business, I think we should continue with a revenue momentum of anything around 11% to 12% even going forward on the lead acid battery side.

Balkrushna: The second question is related to like overall in at the industry level in the lithium-ion business. So we recently saw the report on the players who bidded in PLI scheme. It appears that they will not be able to get any incentive because they would not be able to meet the targets of localization or production level. So do you think will this be or let's say that will put us at the par level or how does it impact the industry players who did not get to participate in PLI schemes and will it make any difference in the competitive landscape?

Y Delli Babu: I see PLI scheme obviously had certain conditions with respect to commencement of the commercial operations. So when we quoted, we have been realistic to when we can actually do this. But nevertheless, that's going to be an advantage even as per the scheme for a period of about 3 to 4 years, where our estimate was if we get the best of the subsidy, then it may make about \$3 to \$4 per kilowatt hour of sales. So, to that extent for a period of 3 to 4 years, maybe people would have enjoyed that benefit. But even without PLI or with PLI, the overall strategy of getting into this battery segment was intact. I don't think it is materially going to alter the decision-making of any player who is really interested to come into this segment. So, from that sense, in a long-term perspective, I don't think that will make a very serious difference to the competitive landscape. Yes, maybe there could be some players who may think otherwise, but I believe if you look at large players who have commenced long-term commitment to this business, I don't think it will undergo a significant change.

Balkrushna: Thank you so much for answering my questions.

Moderator: Thank you. The next question is from the line of Aniket Mhatre from Motilal Oswal. Please go ahead.

Aniket Mhatre: Hello sir. Quickly around your market share trends on a segmental basis, could you just tell us understand where we are? Are we losing share? How are we placed in this competition?

Y Delli Babu: No, I think we are stable with respect to our market share. In fact, on the aftermarket side, we believe we must be gaining some bit of market share considering last 2 quarters growth momentum seen on both the four-wheeler as well as two-wheeler side, but that's an estimate we generally revise on an yearly basis, but we believe currently we should be around 33%-34% kind of a market share in the aftermarket side. Maybe in the two-wheeler, we may be little higher, maybe around 35-36. And as far as the industrial is concerned, we continue to have on a combined basis both lithium and lead put together, we should be having about 57%-58% kind of a market share in the telecom. And the UPS business, we continue to be around 42%-43% kind of a market share. On the OEM side in two-wheeler, we are around 25%, maybe marginally higher this quarter. In the other applications, which is the inverter batteries, I think considering the fact that we don't have the manufacturing facility today, we still command about 10% to 11% of the overall market share in the invertor batteries.

Aniket Mhatre: Sure and did you mention about telecom?

Y Delli Babu: Yes, I did both lithium and lead combined, we are at about 57% to 58%.

Aniket Mhatre: Okay so that trend I mean that trend continues, I mean we have not shared even in telecom segment basically.

Y Delli Babu: Yes, but considering the fact that we have so many players that are coming up in lithium and then currently all of us are pack assemblers with cell capacity to be coming in. Maybe we will see some bit of a dilution in the telecom market share, merely because there are too many number of players currently operating.

Aniket Mhatre: Right. And in terms of utilization levels at the moment, the two-wheelers, four-wheelers, and industrial, could you just help us understand where they stand today and if you would need any capacity in any of these segments?

Y Delli Babu: See, we are almost using about 85% to 90% of our four-wheeler capacity and about close to 90% percent of our two-wheeler capacity. And only in the LVRLA, our capacity utilization will be around 65% to 70%. Whereas the MVRLA, that is the industrial UPS batteries, we should be around 85% or so. Thanks to some of the throughput enhancement initiatives that our teams have taken up, we are able to realize more throughput out of the existing lines, which was one of the objectives that we have set for ourselves, how to get more out of the existing lines through some of the automation as well as industrial engineering initiatives. I think they are paying us well. I think in some of the units we are able to increase the throughput considerably almost to 5% to 6% of the existing capacities we are able to add without making much of a capital investment. So I think as of now, we are self-sufficient with respect to the capacity that we need for all the product segments that we are participating. Once we have the tubular facility coming up with close to 1.2 to 1.3 lakh battery capacity, that should be sufficient for our inverter battery demand as well because we always stop it up with some bit of trading.

Aniket Mhatre: Sure. And as far as the CAPEX of Rs. 300 to Rs. 400 crores by FY26 is concerned, is that maintenance CAPEX or that includes some capacity additions for some of these units?

Y Delli Babu: Yes, there are a couple of lines that we are taking up in our four-wheeler side. It will have some bit of CAPEX requirement on that side. And the rest is basically the regular CAPEX and also some of the automation related CAPEX in terms of automating some of our activities in the Lead Acid- factories area, we may need to put some more investment around the digitalization of it. So that's where the rest of the amount is going to be spent.

Aniket Mhatre: Got it. Just one last bit on from my end, just to clarify on the lithium-ion part, are you indicating the NMC line will start closer to CY26 and or early CY27, which would mean, you know, by FY27 we will start NMC, and it is likely to take say at least a year or so to ramp up and then you would start the LFP? So, by the time LFP starts, possibly we should look at FY29 or something around that timeline?

Y Delli Babu: At this point of time, we believe there could be a, if commercialization is done on X date for NMC, it may take X plus 9 to 12 months from the date of commercialization. We should have the commercialization of LFP as well as what is our current working show. But if there is any change, I will let you know in due course.

Aniket Mhatre: Okay, so by FY28, we should commercialize LFP. Any other choice?

Y Delli Babu: Yes, you can take 12 months difference between NMC and LFP commercialization.

Aniket Mhatre: Fair enough. Thank you, sir. Thanks for the clarification, and all the best. That's all from my side.

Moderator: The next question is from the line of Joseph George from IIFL. Please go ahead.

Joseph George: Thank you sir. I have two questions. One is in relation to the tubular batteries that you are selling now. The plant will come online only in the first quarter of FY26. What is the revenue that you are generating now which will get converted into own manufacturing once the plant comes online?

Y Delli Babu: Once we start converting, it should result in revenue on an annualized basis about Rs. 1,100 to Rs. 1,200 crores.

Joseph George: Okay, so right now, the run rate that you're hitting is about 1,100, 1,200, which is low margin because you're not manufacturing it yourself. But next year, hopefully you will hit that run rate with a higher margin because you will be manufacturing it yourself. Is that right?

Y Delli Babu: We will see, because of lack of manufacturing capacity, we will not be able to hit the entire revenue because trading obviously will limit the entire opportunity that we can do. So, it will be a little lower trading revenue that we will be looking at this year, but it will increase by at least another 20% once we start our own manufacturing. But because we are starting this production in the Q1 of next year season, next year season, we may not be able to participate fully with our manufacturing volumes. So, once we commence the operations, the season thereafter, I think we should be in a position to meet all the required demand.

Joseph George: Understood. The second question that I had was in relation to the lithium-ion business. So, you mentioned that once you start the NMC operations, it will take 2 or 3 years for operations to completely stabilize and start thinking about maybe EBITDA breakeven etc. So, when I think of the total investment that is going into say NMC, is it right to assume that you will have the initial CAPEX that goes in and setting up the plant and machinery and all of that. And in addition to that, for a period of the first 2 or 3 years, till you are EBITDA positive, you will have to continue funding the cash losses. So effectively, the total investment till you reach breakeven might be much higher than the initial CAPEX?

Y Delli Babu: See, simultaneous to the cell venture, the new energy business is also pursuing the pack business, right? So, if we are able to meet the expenses, the revenue expenses, what we incur at least partially through the money what is earned by the pack business, we should be able to mitigate some of those cash losses, at least at the entire new energy business level. But if they are beyond that, yes, they need to be funded. But at this point of time, our target is to see that that is as minimum as possible. But you are right, because at the 1 or 2 gigawatt level, I believe we will still be able to make up that number with the other businesses what we will be doing and then when it ramps up to a larger scale, then I'm sure there will be a pain at least for a couple of years before the entire thing gets stabilized.

Joseph George: Understood sir. Thank you.

Moderator: Thank you. The next question is from the line of Sanket from Ashika Stock Broking Limited. Please go ahead.

Sanket: Thank you for the opportunity, sir. So my question is on AGM batteries. So recently there was an announcement wherein we will start supplying AGM batteries to Hyundai Motor India. So, are you getting any orders from other OEMs as well? And my second question is, what is the price difference between the AGM batteries and the conventional CMF batteries? And what is your view on AGM batteries? Is there is a possibility that these batteries will be getting replaced by the conventional CMF batteries as well?

Y Delli Babu: See, AGM batteries, as far as other OEMs are concerned, I think while there are some OEMs who have shown interest and some of them are trying to look at possibility of conversion. But that will take some more time before it is fully done. From the realization point of view, yes, AGM batteries will give a higher realization, but I don't want to put a number now because we should look at that number only when it ramps up to a significant number. Only then I think it is right for me to discuss those numbers in the calls. But over a period of time, whether migration will fully happen from flooded to AGM, there are possibilities, but it is going to take some more time because it has happened in two wheelers, flooded to AGM conversion that has started and then it happened in a big way which was basically driven by Amara Raja at that time. But I am sure it will take some more time before all OEMs accept and then we also offer the product to the aftermarket side of it.

Sanket: Sure, fair enough sir. So, we may know what are the exact reasons why the OEMs are not shifting to this AGM batteries because the pros are better than the existing technologies?

Y Delli Babu: I don't think there is any resistance efforts to migrate, but I'm sure they will have to make their own homologation before they give the final consent to the entire process. But I'm saying it may take some more time before I can tell you that all the OEMs or which are the major OEMs who have agreed to go with this product because it also depends on their own vehicle requirements as well, right? So, it is not that every product can be, it is not a simple replacement of flooded to AGM. There are other things that have to be taken care before that migration happens.

Sanket: Okay, so if I'm not wrong, we are the only one which is currently manufacturing AGM batteries in India. Is it?

Y Delli Babu: I may have to come back to you on that because I really don't know for sure whether Exide is making it or not. I may have to check and come back to you.

Sanket: Okay, so my last question is, so we are expected to supply these AGM batteries in Q4 onwards. So, what is the expected additional revenue from this segment particularly?

Y Delli Babu: No, it's basically in the OEMs, whatever vehicles that were going with the flooded, when they do the conversion, they will get replaced with the AGM. So, from an incremental revenue point of view or volume point of view, I don't think there is a significant number that is going to come in. So once the migration happens, then I can tell you how much of flooded is moving to AGM. But I don't think there is going to be a significant incremental volume that I can comment on.

Sanket: Okay, sir. Lastly, what is the capacity of the plant which is manufacturing these batteries?

Y Delli Babu: We currently have, I mean, because these capacities are fungible with some bit of minor changes, we currently have about 2 million capacity to make these AGM batteries.

Sanket: Okay, thank you sir. That's all from my side.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Yes, thank you sir for giving the opportunity again. Sir, just coming back to the levy sir, just want to understand what was the levy for this quarter and I mean last quarter was Rs. 15 crore and there was a Rs. 37 crore increase this quarter, right sir? So Rs. 52 crore would be the levy, right, for the Q3 quarter?

Y Delli Babu: Yes.

Mumuksh Mandlesha: Out of which, how much would be for any previous period?

Y Delli Babu: Yes, I said see current quarter about Rs. 35 to Rs. 37 crores is all belonging to previous year. And additional amount about another approximately it should be about Rs. 14 odd crores for the next quarter.

Mumuksh Mandlesha: Okay, so currently this quarter Rs. 52 crore was the levy after which Rs. 30- Rs. 35 crore is of the previous periods. So, the incremental is that Rs. 17- Rs. 18 crore is for the normal run rate, which is something we will continue going at, right sir?

Y Delli Babu: Yes, that number cannot be set for the future period because it's a post facto revision that every state government does. In some years it is material, in some years it was not material. So, it all depends on the challenges of the power sector of that particular state government. I don't think I can say this is the run rate with which the levy is going to continue. That's not possible.

Mumuksh Mandlesha: Okay, but by Q4, sir, all the previous year levy would be completed, right sir?

Y Delli Babu: Yes.

Mumuksh Mandlesha: Got it, sir. And lastly, you announced this quarter increase investment in the ARCS and the ARPS. Can you just help us? What is this increase for, sir?

Y Delli Babu: Yes, the ARCSPL is our recycling battery venture where we have invested about Rs. 500 crore so far for the phase one, which is what has just started the commercial production. And then we have said that we have taken the approval of the board for inclusion of additional 200 for the next phase. But the actual inclusion will depend on the project progress. And as far as Amara Raja Power Systems is concerned, that is the entity which is into charger manufacturing business where we have taken an unsecured loan approval for about Rs. 50 crores, which we will include depending on the fund requirement that is not an equity investment that we are proposing at this point of time.

Mumuksh Mandlesha: Understood sir, thank you so much for this.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to Mr. Aniket Mhatre for his closing comments.

Aniket Mhatre: Thank you, Steve. On behalf of Motilal Oswal Securities, I would like to thank Mr. Delli Babu for taking out his time for the call. Thank you very much, sir. Thank you to all the participants for attending the call. Thank you and have a great week ahead.

Y Delli Babu: Thank you. Thank you, everyone.

Moderator: On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.