

August 09, 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 July 31, 2024, the transcript of the Investor/ Analyst call held on August 5, 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)

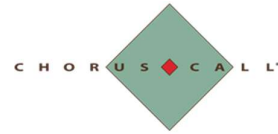
Vikas Sabharwal
Company Secretary

Encl: a/a



“Amara Raja Energy & Mobility Limited
Q1 FY '25 Post Results Earnings Conference Call”

August 05, 2024



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

**MODERATOR: MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Amara Raja Energy & Mobility Limited Q1 FY '25 Post Results Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Thanks, Amit. Welcome to Amara Raja Energy & Mobility Limited 1Q FY '25 Post Results Conference Call. From the Amara Raja management, we have with us today Mr. Y. Delli Babu, Chief Financial Officer. I will now hand over the call to Mr. Delli Babu for his opening remarks to be followed by question-and-answer session. Over to you, sir.

Y. Delli Babu: Very good afternoon to everyone. Thanks for joining the call. I'll just briefly give an outlook on the quarter numbers. During the current quarter on a Y-o-Y basis, we have seen on a stand-alone level, the revenue growth was about 13%. But if you adjust for the last year, two months revenue of lithium, because April and May 2023, we had the lithium revenue also in the stand-alone results, thereafter it was demerged into the subsidiary.

So if you adjust for that, then the overall lead acid revenue grew by about 15%. This revenue growth is coming on the back of a strong volume growth, both domestic and international automotive segments.

In domestic 4-wheeler segment, the aftermarket grew about 11% in terms of volume and the OEM have grown about 6% to 7%. And in 2-wheeler, we have seen about 18%, 19% volume growth in the aftermarket and OEM growing at about 25%. And even the other applications, predominantly the inverter batteries we have seen overall volume growth of about 15%. Of course, all these inverter batteries are traded, which is why the current quarter trading revenue mix is substantially higher over the immediately preceding quarter at about 23%.

And in the international segment, the 4-wheeler volumes have shown a substantial increase of about 45% that is coming because of the new accounts that have resulted in higher volumes in the Latin American markets, which is why that higher export volume growth was registered.

But in the industrial side, we have seen overall volume degrowth of about 5%, predominantly lead by the telecom segment, whereas the UPS segment and others have shown a growth, but telecom segment has shown a degrowth of about 20% on a Y-o-Y basis. Not only because the last year base number in telecom was higher considering the higher capex that was there by the tower companies in the last year, so we had a larger base as such, the lithium migration is also something that is going on at a reasonably good pace in the telecom side. So the current volumes of telecom are a result of degrowth compared to the previous year.

When we look at the margins on a Y-o-Y basis, there is an improvement in the operating margin by about 0.6%, 0.7%. That's coming on account of both the higher realizations we had because we have taken a price increase in the month of June, about 1% price increase was taken. And also in the month of July, we have taken another 0.75% rate increase.

So when we look at it on a Q-o-Q basis, the numbers show as if there is a margin dilution that's predominantly coming as I explained earlier about the higher trading mix of inverter batteries and also certain other segments where trading revenue was recorded like lubes. That's where the overall gross margins would have shown a bit of a dilution because of higher trading revenue.

We also had some bit of lead price increase in the current quarter along with other metals like copper and even plastics have shown marginal increase. So some of those costs also have impacted a bit on the margins but with the price increases that we have taken, I'm sure that should compensate to some extent.

So as far as the NEB business is concerned, we have seen a revenue growth of about 20% in the New Energy side that is coming predominantly on both the mobility and the energy storage packs that are being sold on the storage side and on the telecom side.

While we have seen the charger revenue getting stagnated during the current quarter, we have not seen much of a growth on charger, while once we complete some of our localization plans around new chargers that we have developed, I'm sure this revenue will again register a substantial growth in the coming quarters.

So as far as the overall capex program is concerned, we are constructing the tubular battery plant now. So it is expected to complete towards the end of this financial year so that for the next season, the inverter batteries will be available instead of what we are doing, what we are meeting the market demand from trading sources I think will be able to meet a substantial portion of it through the own manufacturing.

And the overall capex investment into the lead acid business including the tubular batteries would be approximately INR800 crores, about INR450 crores of it going into the tubular manufacturing unit and rest into the small line expansions and maintenance capex that we incur in lead acid.

As far as the New Energy business capex is concerned, I've explained earlier, currently, the pack facility, our new Telangana Giga Corridor is complete, and it is going to start the commercial production very shortly in about 10 days from now.

And the construction is going on in full swing, both with respect to our customer qualification plant and the E Positive labs plus the 2 gigawatt of our NMC line building . So as I mentioned earlier, between these three projects we will be needing about INR2,000 crores of capex and as far as the LFP program is concerned, now the plants are getting laid out. We probably will have an initial capacity of about 4 gigawatt to 5 gigawatt hour, covering about 2 part members. And thereafter, it will be scaled up based on the demand signals.

At this point of time, we estimate for these 4 gigawatt to 5 gigawatt hour of LFP cells could also mean that another INR2,000 crores to INR2,500 crores of capex will be required. As I mentioned earlier the plants, engineering plants and other things are in the working progress. So if there is any change in these numbers, I'll come back to you and then communicate later.

So the overall consolidated revenue growth of 17% is coming both the New Energy Pack business as well as the Automotive business domestically as well as internationally have grown

pretty robust. While industrial, we have seen some hiccups on the telecom, the other segments like UPS exports have grown reasonably well.

So with that summary, I'll now request questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pankaj Tibrewal from IKIGAI Asset Manager. Please go ahead.

Pankaj Tibrewal: On the export side, can you give us some flavor how has been the demand and what's the outlook going forward there? And second, on the lithium side, the project which we are coming up with. Is that something which we can also be used for energy storage factories at some point of time or is the technology completely different? These are the two questions?

Y. Delli Babu: As far as exports is concerned, we have seen some good traction for the AGM batteries, particularly in some of the Northern American and European markets, apart from our regular markets Middle East and the APAC and African markets are also registering robust growth.

The overall number of countries that we are currently serving having have gone up substantially beyond 55 to 60 countries now, while the objective is to improve our market share in some of the newer markets that we have recently penetrated into. And I'm sure our overall objective is to grow the export business, as mentioned earlier, at a CAGR of 15% at least for the next two to three years. With that intention, I think there are plants that are being laid out.

As far as the lithium project is concerned, the cells will definitely cater both to the energy storage market as well as the mobility market. We believe LFP cells will be required for energy storage side. So we have seen already some of the packs that we are selling on the telecom storage side and other smaller storage applications are actually based on lithium -- LFP chemistry. So these cells that are expected to be produced will cater to both the mobility and the storage applications.

Pankaj Tibrewal: So there's no different technology per se, which is involved on the energy storage side, which is you are trying to say.

Y. Delli Babu: There will be a difference in ratings of the cells, but the base chemistry will not have a very significant change.

Pankaj Tibrewal: And as a company, are we looking at that opportunity because that seems to be a very large opportunity coming along?

Y. Delli Babu: Absolutely. Cells, there is no way we can say that it is only for mobility. Definitely, the storage is going to play a significant role in the overall new energy chemistry requirement in the market because battery energy storage system, both at the grid level and also at let's say, smaller micro-grid level will also play a very significant role. So C&I and grid level applications for battery energy storage system is expected to be a big area of growth, and it is definitely in the radar for us as a growth area.

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

- Mumuksh:** Sir, company is seeing, doing well in terms of market share gains. I just want to understand what is driving such strong market share gains? And how do you see the market share over the medium term?
- Y. Delli Babu:** I think one of the ideas of domestically speaking, the 2-wheeler aftermarket and 4-wheeler aftermarket have shown strong volume uptake, particularly some of the newer brands that we have launched like Elito have really helped us to improve some of the volume of take around the domestic side.
- But otherwise, our approach of creating better availability and visibility for the brand at the local level and the retail efforts, which are continuing are definitely helping us maintain these higher volumes on an overall basis. But this quarter, I think the overall volume jump, I think is coming more from the international side as against the domestic business.
- Mumuksh:** Is it possible to indicate what kind of market share we would have in a 2-wheeler and the 4-wheeler segment, sir?
- Y. Delli Babu:** Today, on the aftermarket side, both on the 2-wheeler as well as on the 4-wheeler, we should be having around 35% kind of a market share. When it comes to the OEMs, as we know we have the lower market share of about 25% in 2-wheelers, whereas in 4-wheeler our OEM market share could be around 35% or so.
- So in 2-wheeler in some of the brands, our market share is as high as 40%. But on an overall basis, we should be around -- because we have been growing consistently on the 2-wheeler at about 18% to 20% kind of a growth rate, so we believe the 2-wheeler after market share would have closely inched up to 40% of the overall market share, while in the 4-wheeler we may be around 36% or so.
- Mumuksh:** And also if possible on the industrial side, on the UPS and inverter, what kind of market share there would be, sir?
- Y. Delli Babu:** On the home inverter side, obviously, we are only using our traded batteries at this point of time. We believe our market share could be in the range of 15% or so as far as the home inverter market is concerned. When it comes to the industrial UPS, we should be around 40% to 45% in between range on the industrial UPS, whereas telecom on a overall basis, both lead and lithium put together, we should be around 60% kind of a market share.
- Mumuksh:** I just want to -- what you mentioned in the press release about the Highstar partnership. I'm assuming it is for the NMC technology. Can you further provide any details around this partnership?
- Y. Delli Babu:** It's a same technology licensing arrangement what we have with Highstar coupled with our own internal development of NMC service. It is a technology fee arrangement what we have with. Beyond that I don't think that there are other details that I can share.
- Mumuksh:** Sure sir. And sir, just lastly, any full year volume guidance for the auto and industrial segments, sir?

- Y. Delli Babu:** No. At the company level, we have not been giving any guidance, but when we look at the growth rates in the aftermarket, I think 4-wheelers will be able to sustain about 7% to 8% kind of a growth at the industry level and 2-wheelers maybe around 12% to 13% kind of a growth rates are possible as far as 2-wheelers is concerned. I think we will be able to grow a bit higher than the market. That's about it. I don't think we are giving any specific guidance on our volumes.
- Moderator:** Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** Sir, we saw a very strong growth in the 2-wheeler OEMs. So can you give some color there, if you have added any new customer or any new product here, which has helped this?
- Y. Delli Babu:** No new customer addition per se, Kapil. It's basically the same customers that are higher volume through offtake this quarter.
- Kapil Singh:** So it is share of business gain or -- if you can give some color on that.
- Y. Delli Babu:** In the models where we participated, I think we had a higher volume offtake that we have seen during the current quarter. No new customer addition per se.
- Kapil Singh:** And sir, in the telecom business, you mentioned there is a decline. So I just want to understand here that when we compare your market share in the lithium-ion business and the lead acid business, is it similar and the profitability profile also is it similar? And who are the competitors here?
- Y. Delli Babu:** See, in telecom, there are at least about half a dozen players on the lithium side who are actually currently supplying packs. All of them, obviously, are importing with the cells from Chinese market. So naturally, the margin profile will be completely different from the lead side, so it will not be as profitable as the lead acid batteries.
- But from an overall share point of view, because we do cater to customers like BSNL, Indus, etc even on the lithium side as well. I think the market share on the lithium cannot be compared with the lead acid side considering the number of players that are there, but over a period of time I think it will be too early for us to say any particular market share as a number.
- But I think it will take some time for the domestic supply chain to stabilize and then over a period of time we are confident that we should be able to continuously maintain the overall market share at the current levels of what we are having today considering the strong relationship what we have with the existing telecom companies. But I think these are early days. I don't think we should be able to put a number on it and then start discussing at this point of time.
- Kapil Singh:** Sure sir. Because one concern here is that last time you had also discussed that in China there is a big drop in lithium cell price. So will the local manufacturing be competitive enough. If you could give some update on that like if there is any change in the pricing of lithium cells in China or it is still operating around similar lines?
- Y. Delli Babu:** No. See I think the Chinese ecosystem the excess supply what they have currently and the price levels at which Chinese companies are operating, I don't think there is a significant change in that in this immediate quarter. I mean like I explained earlier even for them to sustain these

prices for a longer time is not going to be profitable at all, but I'm sure as I mentioned earlier we will fund our cost competitiveness on the conversion cost side, but they will definitely have that edge over the fact that they have a stronger material costing ecosystem that is available in that country.

So we have to figure out a way how to be competitive enough with them both with the support of the government and at the industry level efforts. We should be -- it should not be hurting the applications. As long as it doesn't hurt the applications and we are able to provide cost-effective solutions. I think this business will in long-term be a profitable business. But at this point of time yes your concerns are valid by the fact that there is a current supply push that is happening from the Chinese ecosystem considering the fact that they have higher capacity.

Kapil Singh: So sir the pricing will be in what range? Around USD60 for the cell right now?

Y. Delli Babu: The latest data that I saw is listing around 1 USD65 to USD70 at the cell level.

Kapil Singh: And just sir one last question. You mentioned trading revenue this quarter was around 23%. So how much was it in 4Q and broadly what is the annual mix that you would expect?

Y. Delli Babu: This year because next season we'll have partially our own manufacturing inverter batteries coming up. On a full year basis, I think it should not cross 15% is my estimate now, but much will depend on how much of the next year's -- next season's demand we will be able to meet with our own manufactured batteries and also how the Lubes offtake increases.

Because we Lubes is also gaining reasonable traction now while it is still not a very material number, it is gaining some traction. So if that number increases then yes there could be a change in the number, what I have said as 15%, but more or less we should not be more than 15% for the current year.

Kapil Singh: Sure sir. And 4Q mix will be how much?

Y. Delli Babu: Sorry?

Kapil Singh: Fourth quarter mix of trading revenue would be how much?

Y. Delli Babu: The immediate fourth quarter was around 12%.

Kapil Singh: Okay. That's all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Sir first question on the lead acid side. In terms of industrial other than telecom how was the growth in Q1 and if I look at Q2, Q3, Q4 that is rest of the year generally what is the kind of growth you expect for industrial ex of telecom and for telecom?

Y. Delli Babu: Around 7% to 8% is the growth that we have been consistently seeing in other than telecom revenues. And I think that trend will not be any different as we move into the next years as well. But on the telecom, I will not be able to put a number around now because much will depend on

some of the capex programs that they have. I don't think I am in a position to give you a number as far as telecom is concerned.

Raghunandhan NL: On the lithium side, any time lines you can share for when the NMC project will come online and when the LFP project can come online and only when these come online, that is when you would start supplies for companies like Ather. Would that be right understanding? And also, if you can talk a bit about the PLI incentives. So what would be the status of that? When is that likely to be announced?

Y. Delli Babu: Yes, as far as the NMC the expected date of commercial production as I mentioned earlier, it should be towards the end FY'26 or maybe the Q1 of FY'27. And at this point of time, we believe even the LFP cell's commercial production should start sometime in the calendar year '27, while I may be able to discuss a bit more granular dates once their designs are over.

So at this point of time both the NMC and LFP moving, towards H1, NMC will happen and towards the end of H2 LFP might happen. That's the timeline that we are currently looking at. And as far as the sub OEMs is concerned, it is obvious once we start right now because the OEMs that -- Ather that you have referred to they do their own packs. So obviously when we manufacture our own cells is when there will be a commencement of supplies to people at like Ather.

Raghunandhan NL: And anything on the PLI scheme sir when it is likely to be announced?

Y. Delli Babu: I think there was the PLI scheme for the second 10-megawatt was opened. I'm yet to get the official confirmation on the results. I'll let you know as and when there is an official announcement.

Raghunandhan NL: Understood sir. So we have been selected or that is yet to be officially announced?

Y. Delli Babu: Technically, we are qualified, but I'm sure it's a competitive bidding process unless there is an official announcement, I don't think I should be in a position to talk about it.

Raghunandhan NL: Got it sir. Wishing you all the best.

Moderator: Thank you. The next question is from the line of Vibhav Zutshi from JPMorgan. Please go ahead.

Vibhav Zutshi: Firstly, on your New Energy business just trying to understand the volatility in EBIT margins? I mean just seeing it ranging from negative 6% to 13% in the last three quarters. So could you just help explain what's happening here?

Y. Delli Babu: Sorry, what number are you referring to can you explain it?

Vibhav Zutshi: The other business which is primarily the New Energy business, your segmental margins basically was around 5% this quarter, 13% in 3Q. Yes so just by the volatility?

Y. Delli Babu: Yes. I think, as I mentioned earlier also because the packs and chargers revenue depending on the mix and also depending on the volume. For example, if I do a larger volume then obviously being a thin margin business, the margins will be better. This quarter, as I mentioned, the charger volumes was not growing. It was more or less same as what we have done last year.

And also, we are ramping up on the cost from setting up the cell and some of the expenditures which is incurred on the research and also some of the costs that we incurred on setting up of the cell units will charge it to revenue. That's where you will see a margin oscillation in this business.

But if you look at it at the contribution level, I think around 7% to 8% kind of a number on the charger manufacturing -- sorry, on the pack manufacturing and about 13% to 15% kind of a margin on the charger manufacturing are possible in a stable scenario. But obviously, that also is subjected to the base cells and metals cost as a number.

But these are still early days. I don't think we can fix on a particular margin number other than those broad guidance that what I have just mentioned. So these margin oscillations will be there considering the fact that there will be costs that will be going in the cell as well, because we are right now calling both cell and pack into a single segment, which is why you will see those numbers getting oscillated. But from a revenue traction point of view, we are -- probably we are doing better than many of our peers.

Vibhav Zutshi:

Got it. That's helpful. And second question is basically on the lead-acid battery business. Any capex that you think might be in store over the next few years just because you've been growing at very strong double digits? And are we maxed out on capacity and any capex that you see going forward?

Y. Delli Babu:

As I have mentioned earlier, we are not saying we will not do any capex in lead acid, but obviously, our intention is first to get the maximum out of the existing plants. So some of the throughput enhancement exercises that we have taken up recently have really given us higher capacities. We were able to add another 5% to 6% of the capacity without adding much of a capex. So that's way, our current capacity of close to 21 million batteries on 4-wheeler and about 32 million batteries of 2-wheeler are running at a utilization of about 85% to 90% and we have some line additions for the 4-wheeler that we have already planned for.

So as of now, as a Greenfield unit, I don't have any announcement to tell you that we are going to put up the capacity, but we will continue to work on increasing the efficiency of the existing machines and also add the required lines in the existing facilities. So that way, I don't have a larger capex announcement at this point of time. But we will not shy away from adding capex if we see a robust demand signal, which can actually help us get the payback as we envisage for any capex project.

Moderator:

Thank you. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar:

Sir, if you can help us understand that in this quarter we have invested about INR180 crores in InoBat. And last time around we had given a debt of INR100 crores to the same entity which got converted into equity. So if you can help us understand the objective of this and how it is tied up with Gotion. And what we understand so far is that Gotion payment is on royalty basis that should ideally start once the sale commences. So if you can throw some light on this?

Y. Delli Babu:

See, as you know, InoBat we have made the investment almost two years ago. They are working on certain high-power NMC cells for vertical takeoff and landing vehicle requirements, and they

are also working on certain other high-power NMC cells for some of the fast cars. And they have a tie-up with Gotion for some of their requirements as well.

And the Slovakian venture, which is getting set up between Gotion and InoBat is also something that InoBat is participating in. So with all this happening, we made the initial investment of EUR10 million about two years ago and thereafter, we made another EUR20 million investment in this quarter.

So right now, InoBat is focused both on developing some advanced power cells in the NMC chemistry and also working along with Gotion for setting up factory in Slovakia. So those are the two projects that they are working in. And obviously, GIB is the entity, which has given us the technology as far as LFP is concerned.

Aditya Jhavar:

Sure. And sir, the second question is on this investment in circular solution that we have made of INR125 crores. And cumulatively, we have invested about INR445 crores. So what is the thought process here? And what is the -- the next question is what is the current debt level as on Q1 end, and what is our plan for funding for our lithium-ion business?

Y. Delli Babu:

As far as circular solutions is concerned, as you know, in the first phase, we are setting up 1 lakh tons of lead recycling facility. The refining operations that is from the RML to pure lead are expected to commence the commercial production in the month of September or October. And then we'll be using that lead coming from that factory for our purposes.

And the battery breaking operations are expected to commence the production, maybe about four, five months after the refining operations are completed. You know that this is part of our overall recycling initiative and also this should improve the overall recovery rates what we currently get from the outside smelters from the batteries and should help us improve the raw material security as well.

So once we do the entire 1,50,000 tons, that is what is being envisaged in that particular location, that should give us close to about 30% of our overall requirement from our own internal recycling sources. So that's the objective of that investment. I think after this, there may not be much of an investment that would be required into that subsidiary. Maybe for working capital we may have to invest some money.

And as far as the current financial cash flow position is concerned, I think we remain debt-free as we speak. I think towards this year with the overall capex requirement between the lead acid as well as the new energy, maybe approximately around INR1,000crores to INR1,500 crores could be the overall cash out flow number.

I think we may have to go for a certain short-term debt in this particular financial year. And then we are also working on the long-term financing program considering the overall capex investment that's being done. So once we agree on a particular approach, I'll keep you posted. This year, I think we will go with...

Aditya Jhavar:

Sorry, you can continue, sir.

- Y. Delli Babu:** Yes. I said for this year capex, we should be capable of funding it using the leverage on existing balance sheet.
- Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.
- Jyoti Singh:** Sir, just wanted some clarification on your price hike side that you have mentioned we have taken 1% respectively for June and July. So that is 1% only or between 1% to 2%?
- Y. Delli Babu:** No, it is 1% in June and another 0.75% in July on certain aftermarket products.
- Jyoti Singh:** And sir, second on the -- some of the brand that you have mentioned, we are having major market share in the 2-wheeler of 40% and 36% in 4-wheeler. So if you can name it if possible?
- Y. Delli Babu:** Sorry. Can you repeat the question, please?
- Jyoti Singh:** Major, major market share we are having with which OEMs?
- Y. Delli Babu:** - I mean will with all the volumes put together on the 4-wheelers, we are having roughly about 35% as a market share. And on the 2-wheelers, we may be having around 25% to 26% kind of a market share as far as 2-wheeler OEMs are concerned. On the aftermarket is where I think in 4-wheeler, we should be around 35%, 36%. And in the aftermarket, 2-wheeler, maybe we are inching very close to 40%.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from AlfAccurate. Please go ahead.
- Abhishek Jain:** Sir, as you have taken the price hike in the month of June and July both and the late prices are also going down. And you also mentioned that there's a ramp up in the inverter battery plant. So just wanted to understand how much benefit we will see in the operating margins in the coming quarter because of these initiatives.
- Y. Delli Babu:** See, I don't think I would want to put a number around it. I think some of these pricing actions is not only purely linked to lead, there are other operational costs increase and also some of the metals like copper and plastics have shown increase. Copper also has substantially increased. So I think it will be a call that is taken based on the costs and also the competitive pricing scenario.
- So it is not that the price increase is all pervasive, it's more on the aftermarket side and obviously, on the OEM side, some of this gets passed on with a lag. So I don't think I would want to put -- there is going to be a material number because of this in terms of the overall margin profile. This is more to take care of the inflationary impacts in the business.
- Abhishek Jain:** But we have seen a sharp cut in the price that is laid in last 10 to 15 days and most probably that it will go down further. So is it the benefit of this in the coming quarter in terms of the margin?
- Y. Delli Babu:** Like I said, in the aftermarket price correction is not done for every price change that's happening on the lead. So we have seen a sustained price increase for the two months where it was started holding around INR2,150 level. And also the rupee depreciating by almost INR0.5, from INR83 to INR83.5. I think based on that sustainable price change, we have taken some correction.

So when there is a downward revision, it depends on the market action and also based on how other costs are behaving, pricing decisions are taken. So I don't think for every change in the metal price, there is going to be a price action. As and when some pricing action happens either because of a sustained low-cost material or because of competitive action, we'll let you know.

Abhishek Jain: And you mentioned that now the cell prices have come down to \$65 per kilowatt. At this price of USD65 to USD70 per kilowatt what margin you would be able to make in your lithium-ion battery plant, including PLI benefit and excluding PLI benefit. Can you please throw some more light there.

Y. Delli Babu: Again, as I mentioned earlier in my earlier calls also, is it too early to get fixated on a particular number and things that this is how it is going to be? Because we need to achieve a given scale for us to really put a margin target and then see how we can achieve them. So right now, what we have is what the experience of other cell makers were at a higher scale with maybe around \$70, \$75 kind of lithium cell prices is where you can see a lower double-digit of operating margin at EBITDA level.

So that's the broad understanding what we have but I don't think we can right away say that this is the exact way we're going to pan out because the capex investment required and the material costs that are involved in the lithium manufacturing do keep changing. So I think we need to hold our horses for some time.

Abhishek Jain: And my last question on the lubricant business revenue in the first quarter? And what would be the full year target for this?

Y. Delli Babu: So as I mentioned earlier, we don't give any full year guidance numbers in these calls. We believe that there is a reasonable traction happening on the 2-wheeler and 3-wheeler lithium pack business along with the energy storage requirements that are coming up.

We believe our charger business also will ramp up towards the second part of the financial year. So last year, we did about INR500 crores of revenue. I think we should grow at a very aggressive percentage. This quarter, we have grown about 20%, 25%. I am sure, such kind of numbers are repeatable, but I don't think I'm in a position to put a number with...

Abhishek Jain: Sorry sir, I'm talking about the lubricant business revenue?

Y. Delli Babu: Sorry?

Abhishek Jain: Lubricant business revenue.

Y. Delli Babu: I think those numbers are still to gain that traction. I think we have been growing reasonably, but maybe in the next quarter, I'll try to -- based on half year numbers, I'll try to share you some of that.

Moderator: Thank you. The next question is from the line of Bhuvan Mg from Tiger Assets. Please go ahead.

Bhuvan Mg: I would like to know how much of lead you consumed in this quarter? And how much was that recycled and from whom all do you source?

- Y. Delli Babu:** 80% of our lead requirements will be from recycled sources. We have a host of vendor partners from whom we buy and we also buy some lead from people like Hindustan Zinc and then we also import some lead from the abroad sources as well.
- Bhuvan Mg:** Can you name a few of your vendors?
- Y. Delli Babu:** I don't think I'll be able to do that. There are -- I mean, in the listed space itself there are good many number of players, I think you can look at it.
- Bhuvan Mg:** After commencing of your lead recycling plant, how would EPR provisioning benefit from it or any idea on that?
- Y. Delli Babu:** The extended producer's responsibility is to ensure that as far as batteries are concerned, procure the waste batteries and then recycle them -- ensure the recycling in a responsible manner. So right now also considering the fact that we collect batteries and get them recycled through the our own partner recyclers, we are meeting those obligations under the battery waste management rules.
- And once we have our own facility, we will be able to do it at lot more ease and then even the recovery percentages will be to our advantage. So that way from a compliance of BWMR rules are concerned, I think we are meeting those rules as stipulated under those routes, and I don't see much of a challenge around.
- Bhuvan Mg:** And Amara Raja recently partnered with Ather for supply of cells. Can you give more color on that?
- Y. Delli Babu:** It's a MOU that we have entered with Ather for supply of cells for the 2-wheeler application both on the NMC and LFP chemistry. As and when we commence our - production capacities for the cells I think Ather has agreed to buy the cells from us. So we'll be working with Ather for any new product requirements that they may have so that it will help in filling our capacities for lithium as well.
- Bhuvan Mg:** Does the company have the plans to get into the lithium-ion recycling in the future?
- Y. Delli Babu:** I think it is little too early for us because right now, the idea is to get the lithium cell manufacturing going and I'm sure at an appropriate time depending on the business scenario, we can take those calls. But I think I don't have any immediate plans to say that we are going to get into recycling.
- Bhuvan Mg:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.
- Sanjaya Satapathy:** You might have already covered but still excuse me for asking this. I just wanted to get the specifics in terms of your capex plan and what all factories will be getting commercialized in the immediate future?

- Y. Delli Babu:** Sorry, I think we have discussed about the capex plan as far as the current year is concerned, I think we will come back to you if there are any other plans around capital for on he higher...
- Sanjaya Satapathy:** I just wanted to know some of the factories that you are starting in this quarter, what are the time lines for that? If you can just -- and also the lead recycling plant that 150,000 tons, when exactly it is likely to be commissioned?
- Y. Delli Babu:** I think I just mentioned those dates, the pack facility is going to start the commencement mostly in this month and the recycling facility first phase of recycling is going to start in the month of September or October. And then the lithium factories are something that we will see happen in sometime towards the mid of calendar year 2026.
- Moderator:** Thank you. The next question is from the line of Akshay Karwa from Anand Rathi. Please go ahead.
- Akshay Karwa:** Sir, two questions from my side. Firstly, on the AGM batteries, the absorbing large smart batteries. So how has the battery has been performing? Like, do you have any comments on this batteries, sir, in terms of the volumes, the customers, or any feedback that we have gotten for these batteries?
- Y. Delli Babu:** No. I think internationally, we are seeing some good traction around AGM battery demand. And domestically also, we have introduced that to some of the OEMs handling the aftermarket. As of now, the performance is quite satisfactory.
- Akshay Karwa:** Sir, in terms of the capacity, so what would be the capacity for these batteries subject to your lead acid batteries, sir?
- Y. Delli Babu:** I don't think I would want to put the number. These are basically easily fungible. That should not be a problem.
- Akshay Karwa:** So my second question is towards the revenue breakup. If you could highlight some information on the auto OEM, auto aftermarket and industrial segments, the revenue mix for the last quarter is possible?
- Y. Delli Babu:** Broadly, the automotive business forms in the stand-alone revenues, about 70% of the revenue is automotive and balance comes from the industrial segment. And beyond this, we are not discussing further sub-segment revenues in this call.
- Akshay Karwa:** Okay, sir. No worries, sir. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Chetan Doshi, an Individual Investor. Please go ahead.
- Chetan Doshi:** Congratulations for the good set of numbers. My first question is regarding your industrial segment, Indian Railways is expanding very fast. So what are the opportunities the company is looking forward for Indian business from Indian Railways? And the second question is regarding solar. Because the solar is also a big emphasis. So how we are geared up to target this market?

Y. Delli Babu: As I mentioned earlier in this call, the Indian Railways, we are present on the coach side and on the signaling side quite significantly. And then we continue to leverage on some of the newer initiatives like Vande Bharat trains that are coming up significantly. So we have a reasonable presence in the railways. I think we will capitalize on all the opportunities that are coming up at least on the energy side.

As far as solar side is concerned, the battery energy storage system is definitely going to be one of the large volume driver, particularly with the newer battery chemistries that are coming up in terms of lithium. So I think we are developing those solutions around energy storage and then it will be an opportunity for us to sell more and more lithium cells around those areas. So there is a team that you spoke on energy storage as a business, and then we will be developing that business with the same vigor that we have been working on many other industrial products.

Chetan Doshi: And one last question is, how the response is there for -- you have been participating in Auto expo in South Africa and Birmingham. So how is the response for some direct tie up with some OEMs in those places?

Y. Delli Babu: International markets, we are currently are more of an aftermarket player than of a OEM player at this point of time, and we believe there is enough headroom for us to grow in the aftermarket side of the business.

Our product is definitely well recognized in many of the markets that we are currently operating. So as and when from a margin point of view and a capacity point of view, there is an exciting opportunity to work with any OEM. We will think about it. But right now, our international presence is more aftermarket.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Annamalai Jayaraj for closing remarks.

Annamalai Jayaraj: We thank all the participants. We thank Mr. Delli Babu for taking time out for the call. Have a good day.

Y. Delli Babu: Thank you.

Moderator: On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.