

Amara Raja Energy and Mobility Limited**Q2 FY24 Earnings Conference Call****November 1, 2023**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2-FY24 Conference Call by Amara Raja Energy and Mobility Limited, hosted by Valorem Advisors. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal, CEO at Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Thank you. Good evening, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Amara Raja Energy and Mobility Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings calls for the second quarter and first half of financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings calls may be forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks, we have with us Mr. Y Delli Babu, Chief Financial Officer.

Without any further delay, I request Mr. Babu to start with his opening remarks. Thank you and over to you, Sir.

Y Delli Babu: Thank you, Anuj. A very good afternoon to everyone who is on the. Call. Thanks for your time. The current quarter has seen consolidated revenue growth of about 9.5 percent on y-o-y basis, backed up by the new energy volumes that have grown apart from the growth in the four-

wheeler and two-wheeler segment. When we look at the lead asset business on a standalone basis, the revenue growth is about 6.4% on y-o-y basis. This is coming on the back of a volume growth that we have seen in the four-wheeler segment about of 7% and the two wheeler segment of about 9% and the other applications are the inverter batteries. We have seen a degrowth of about 11% considering the lack of manufacturing volumes while a substantial portion is supplied through trading of the tubular batteries. Within the four wheeler segments, we have seen robust growth in the aftermarket, which has grown around 8% or so. While we have seen the OEMs and exports had a subdued growth during the current quarter at about 3 to 4%. In the export segment, there were some shipment delays considering the name change that we have done and there were certain customs that got a bit delayed, but it is not a loss, it is only a postponement to the next quarter. So, we are seeing good traction on the export volumes as well.

In the two-wheeler side, while the aftermarket has grown about 12 to 13%, the OEM growth has been subdued at about 2 to 3% that has culminated into the overall revenue growth of about 6.5% on the regular lead acid battery business. The new energy business during the current quarter has actually more than doubled its revenue compared to the previous year. We have seen good volume growth both in the chargers as well as the battery packs that we are supplying for three-wheeler and other storage requirements. There has been a significant volume growth. So, that is why the overall revenue for the new energy business for the first half year has almost crossed the full year revenue of last year.

On the margin side, yes, there has been an improvement in the overall margins considering the better realizations and also a bit of savings on the raw material side. The other expenses you would have observed, there is a growth in the other expenses because of three major factors. One is because of the fire incident, the insurance premiums have shot up, which I have explained even in our earlier earnings call that continues to be an issue in all the four quarters and also there were certain throughput enhancement projects and cost reduction projects that we have taken up. So, we are incurring certain consultancy charges, which i has also come in and then hit the P&L during the current quarter and there were certain provisioning that we had to make towards the warranty expenses. So, these are some of the issues that have caused the increase in the other expenses, but otherwise all other expenses are in line with the volume growth what we have seen.

As far as the other updates are concerned, we have completed the acquisition of Amaraja Power Systems Limited, which is a charger manufacturing unit. This company has also entered into a technology development agreement for other ranges of chargers for both the two-wheeler as well as three-wheeler applications and also the storage applications. This technology agreement will also help us increase the local value addition and thereby it will improve the overall charging solution capability within this organization.

The Plastics business integration, which we have started about 10 months ago, is almost at its tag end. Expected sometime in the month of November and thereafter, we will be completing the integration of the plastic component business with Amar Raja Batteries. Apart from this, there were a couple of queries that we have received on mail. Let me respond to that. The recycling plant that is in the subsidiary of Amar Raja Circular Solutions Private Limited is expected to commence its production in the first phase. The overall capacity of the plant in two phases is about 1,50,000 metric tons. The first phase of 1 lakh metric tons is expected to commence the production sometime in the month in the first quarter of the next financial year. That should help us increase the overall recycling material quantum that we use for recycling quantum of lead material within the total requirement what is required for Amar Raja Energy and Mobility.

As far as the fire accident is concerned, we have now completed the lodging of the inventory claim. We are expecting the claim process to be completed in the next one or two months and we are hopeful to recover all the loss that has come in because of the fire incident.

With those initial remarks, I will now open for the questions from the participants, Malcolm over to you.

Moderator: Thank you very much. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: So, before coming to results, I just wanted to ask you that we have changed the name of the company, right and we are saying mobility is also a focus area. So, if you could just talk a bit about it, what all will be the target segment that we can incrementally look at. What is the rationale behind this change?

Y Delli Babu: See from a simple battery manufacturing. I think the idea is to look at solutions around energy, both for the storage as well as mobility applications across the segments. I think when we are looking at our new energy business from the point of manufacturing the films, chargers as well as packs, we are trying to look at all the energy solutions related to mobility as well as storage. So, in order to imply the right strategy as you know we have articulated about a couple of years ago in terms of how do we effectively get into the new energy business at the same time maximizing the value of the existing business. So, in line with that strategy, the idea is on both these major application segments one is the storage, the other is the mobility, how do we become energy storage solutions provider across both these segments to reflect that the new journey that we have coined, I think the name got changed. So, as of now, if you are indicating to me that whether we are getting into any vehicle manufacturing, I do not think that is the idea. It is to convey that we are looking at foraying into expanding our foothold into the solutions related to energy, which is both for the storage as well as the mobility applications.

Kapil Singh: Just coming to company performance, usually we have seen that, Amar Raja especially the OEM segment growth has been ahead of the industry and we have always talked of market share gains. So, this quarter I see that that's not really the case. So, if you could just talk us through in terms of market share on the OEM side, where are we or how are we looking at growth as we go ahead? Do you think we will be gaining market share as we move ahead?

Y Delli Babu: As far as the OEM segment is concerned our strategy is not undergoing any change. So, as we have said, the market share assessments we do at the end of every year. So, last year our assessment is that we should be around 35-36% of the market share and even this year, I think by the time we close the year. We should be around the same number, if not better so as such there is no change, the current quarter depending on what vehicle platforms that we have been participating in. Some of the OEMs there could be a minor dip compared to the overall OEM production, our sales might have taken a bit of a dip, but that is only a current quarter challenge. I do not think that is any reflection of any change in our overall market share aspirations as far as OEM's are concerned.

Kapil Singh: And if you could talk about the growth outlook for each of the segments going ahead, what kind of growth are you expecting moving ahead and also if you could cover other business revenue segment in that, I noticed that you mentioned around 150 crores is this does this include the new energy business as well.

Y Delli Babu: Yeah, the other business segments predominantly use new energy business. For the H1, we would have reached a revenue size of about 240 crores and the quarter under question we have done about 150 odd crores of revenue. That is where I was mentioning this revenue is almost equal to what we have done in the full year of last year because we have carved this out into a subsidiary and sometime in the month of July, so that is where this is the first quarter where you see that the new energy revenues are appearing in a separate segment as compared to the legacy lead acid business in a separate segment. As far as growth momentum is concerned both in the aftermarket side of four wheeler as well as two wheeler, we are seeing the market growth rates around 6 to 7% in the after-market in four wheeler as I mentioned in the earlier calls as well and in the same manner with the two wheeler in the lower double digits we have seen the growth and our growth has been pretty robust in both the after-market segments. I do not think there is any significant change in that growth numbers. As far as the industrial business is concerned, we are seeing a reasonable growth in the UPS side of the business at about 7 to 8% kind of a growth that is stable. Yes, telecom like I mentioned in our last call as well, we are seeing certain uptick in the demand because of the 5G network expansion etc. that has continued even into this quarter, which is where the overall industrial business also has grown about 8 to 9% levels. So, in terms of the lead-acid battery growth momentum, I do not see any significant challenges at this point of time. In the new energy business, I know we are currently dealing with chargers and three-wheeler battery packs and some of the telecom storage battery packs. We are hopeful that we will expand the new energy

business into other vehicle segments and other storage segments in the coming future. So, that is what is the summary of how we are looking at the business now.

Kapil Singh:

And Sir, lastly, if you could talk about the profitability in the new energy business, will it be close to double digits already?

Y Delli Babu:

See, it is too early to comment because our new energy business is currently only the pack manufacturing and also the charger manufacturing, both you know are highly price competitive. So, at this point of time, we are able to see some margins in the range of 7 to 8% as our overall margin number. But going forward, when we increase the overall revenue, I think we will still be able to sustain those kinds of numbers as far as the pack business is concerned, but when we indigenize more and more charger manufacturing, there is a possibility of improving the overall margins in the new energy business. So, I think I would before creating a benchmark for this on margins for this business. I would wait for some more time, but as of now we are finding because the cell prices are also in a reasonable range and then there is a reasonable comfort in terms of the raw material pricing, but I think I am sure considering the B2B business, it is. So, I would wait for some more time before we put kind of a benchmark on margins for the new energy business.

Moderator:

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

Aditya Jhawar:

If you can talk to us about the lithium-ion battery and how are we thinking in terms of technology in house versus Log9 and partnership with global companies and if you can add to that, that when you are engaging in the conversation with OEM, what is the response of these OEMs with different approach specifically with regard to technology on lithium-ion curve?

Y Delli Babu:

As I have mentioned earlier as well, so there is a plan that is clearly laid out as far as the two major chemistries of NMC and LFP are concerned. I have told you that there is an inhouse development on NMC and then we are working with certain other people as far as the LFP product development is concerned. But that does not mean to say that we are not open for any larger partnerships. Yes, there is some work that's happening on that front as well. As and when something comes up, we will definitely update, but right now we are not waiting for that to happen. I think there is a good amount of investment that is happening within the company to develop capabilities around these two chemistries and also see to it that our plan of going for commercial production sometime in FY26 would be first 2 Gigawatt hour line are achieved, so to that extent the efforts are on. So, if and when we are able to structure relationship with any of the global battery makers, that will be definitely be looked at. As far as OEMs is concerned, we are working with, we are at least discussing with multiple OEMs at this point of time. For different vehicle categories, there are different battery requirements are being stated. So, there are few who are talking about making packs on their own. So, I think it is still. I will not be able to say so and so OEM is asking for so and so kind of battery. I think it is a

progressive working that is going on with multiple people at this point of time. I am sure as and when some specific arrangements are agreed upon, we will be able to share those details.

Aditya Jhawar: Sir the next question is if you can set reminders on timeline of our CAPEX spend for the Gigafactory, you mentioned that FY26 we will have 2 gigawatts and overall we have a plan of about 16. So, how is the CAPEX spend plan in over the next few years and how are we thinking about funding?

Y Delli Babu: As far as new energy business is concerned as I have articulated earlier, there are three major projects. One is setting up our research hub which is happening near the Hyderabad International Airport and then there is the second one which is the customer qualification plant which is to make all the form factors and chemistries at a mega scale so that that can be extrapolated to a giga scale in the gigafactory and 3rd is the first 2 gigawatts over NMC line that we want to put up where we are looking at starting the commercial production sometime in FY26. That is the current target that is there in place. Towards these three projects the initial outlay to be spent over next two to three years' time frame is about 1500 odd crores, which we think in FY24 we have completed the land acquisition and the construction have just started. So, we may have to spend in FY24 of another 100 to 150 odd crores and then next year the equipment purchase and all other things the orders are getting placed now so we will have another 500 to 600 crores CAPEX being spent next year and the similar amount thereafter, that is the plan as far as the new energy is concerned. As far as lead acid battery is concerned I think we will continue to have a regular CAPEX of about 150 odd crores and then there is another 200 to 300 crores of line expansions that we will do in our existing practice and any new Greenfield if at all there is Greenfield capacity requirement comes up at that time I will update you if there is further CAPEX requirement is going to be there on.

Moderator: Thank you. The next question is from the line of Raghunandan from Nuvama Institutional Equities. Please go ahead.

Raghunandan: Firstly on the results side, just wanted to get a couple of numbers from you. One, can you share the telecom growth for the quarter, and you indicated that consultancy fee was also incurred in this quarter in other expenses, so that is not likely to repeat in the coming quarters. So, what would be that one of amount sir.

Y Delli Babu: From a telecom growth point of view on a volume basis, it has grown around 9 to 10% during the current quarter Raghu. As far as the expenses are concerned, these charges what we are incurring around 10 crores or so may not recur going forward of the two amounts that I have indicated, but the rest will be there as an expenditure.

Raghunandan: And in terms of building the new energy business have you started the efforts of like showing the product capabilities to the OEMs and how if FY26 the plant is coming up by then would the tie ups with OEM's get finalized?

Y Delli Babu: As you know, there are no specific tie ups that are generally done in our ecosystem. It is generally you work on a particular product development and then as and when that becomes commercially acceptable to both the parties, the supplies will start. So, while I can't disclose some of these discussions at this point of time. Because right now we are dealing with couple of OEM's on the three wheeler side and two wheeler side and also on the storage side we are dealing with some of the telecom player. As and when there are certain specific agreements that are getting entered in the form of a supply agreement, because generally supply agreements are entered only when we firmed up supply is agreed between both the parties. So, I think I would wait for some more time before I can actually come and discuss those specifics in these calls, it would take some more time for me to come back.

Raghunandan: And any progress on that PLI scheme, because that 20 GW hour was supposed to be again like offered to the players. So, would you be participating in that or do you find the conditions of the PLA scheme restrictive?

Y Delli Babu: I don't think as of now the specific conditions are out, but if the conditions that are going to be laid out in the second round that they are going to come in, they are reasonable for us to think that it will help the overall business group. Definitely, we will not hesitate to participate in, but for me to answer yes or no for this I would wait for the scheme. Once it is out, then definitely we can discuss on that.

Moderator: The next question is from the line of Abhishek from Dolat Capital, please go ahead.

Abhishek: Sir how is the pricing trend for lead and non-lead RMs like separator and plastic parts and have you taken any price hike in after-market in last quarter?

Y Delli Babu: There were no price hikes taken in the last quarter in the after-market Abhishek and the raw material prices are fairly stable between first quarter and the second quarter. While we are seeing some uptick in the lead number of late and also a currency depreciation that has happened, I think we will see whether that will have an impact on our overall scheme of things. Accordingly, the pricing decisions will be taken. But as of now, the raw material prices, at least for the last two quarters, have been fairly stable and we are not seeing a serious challenge around it.

Abhishek: So, despite the higher revenue from this new energy business and fall in export volumes this quarter, we have seen a gross margin expansion. Is it because of the products mix change, especially for the aftermarket growth in this quarter?

Y Delli Babu: See I would not call export volume fall and all definitely they have grown compared to what we have done last year. So, I think that timing issue in terms of some of the shipments will get evened out as we move into the next quarter. So, as far as margin expansion is concerned, if you see on one side, we have a higher trading volume. For example, in the current quarter, our

trading revenue is about 11% and our manufacturing revenue is about 89% on a when you look at it on a standalone basis, even on consolidated maybe a 1% change will be there. So, in that sense, just because there is a minor reduction in the OEM mix, I do not think it is going to have a very significant impact on the margin profile. I think the initiatives that are taken on the material cost reduction and some of the expense controls is definitely giving us some dividends and also some of the realizations that also are helping the overall profitability.

Moderator: Thank you very much. The next question is from the line of Jinesh Gandhi from MOFSL. Please go ahead.

Jinesh Gandhi: Hi, Mr. Babu couple of questions from my side. You indicated that exports have started to see growth on last year's base. Are we seeing total normalization of our export volumes? Are we growing on high base which we have seen till say 1Q last year or is growth on a lower base?

Y Delli Babu: I think last year base was also reasonably higher. It is not that last year base was lower. We are seeing growth, but in this quarter, we had a blip considering some of the clearances, but otherwise they are on a clear growth trajectory of 10 to 11% or 10 to 15% that we have been talking about. I think even this year, on a full year basis, we will see a double-digit growth in the export volumes as well.

Jinesh Gandhi: And secondly you indicated about the lead prices have started to inch up in 3Q and that is fairly reasonable. I think it is almost 8 to 10% higher than the 2Q average. So, in that context, given that we have not seen a material price increase in replacement market for I think over 12 to 15 months now and you think this can be passed through to them customers now or demand is not as strong as what we would have liked to before we take price increases.

Y Delli Babu: Price increase decision is definitely in the aftermarket it is not a dynamic of only cost, it is also about how the competition is behaving. So, once we see a trend getting established generally we have seen industry has taken the price increases. I do not think it will be any different even now. So, I think whether a price increase will happen in Q3 or not is something that I will not be able to comment at this point of time. But at a sustained elevated lead level, we have always been taking those price increases, but there will always be that lead and lag in these decisions.

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

Mukesh Saraf: Last quarter you had mentioned that the power cost was high by about 10 to 15 crores and there are some efforts being taken to reduce these costs. Have we already started seeing some benefit of these efforts or it is going to take some more time.

Y Delli Babu: Yes, Mukesh, I think last quarter we had seen certain levies by the government in terms of electricity duty and all. So, that is partially compensated because now our solar plant has also

started generating the energy and we are now getting the settlements in a particular periodicity. So, that is definitely given us the cushion. So, that is where in this quarter compared to the previous year, we have not seen a very significant jump beyond, I mean, after adjusting for the increase in the volumes, we have not seen a substantial jump in the power cost.

Mukesh Saraf: And in the raw material cost we will see inventory buildup if I look at it about 145 crores in the standalone numbers. So, I mean, this is just a kind of a seasonality here or I mean could you explain this when mentioning that.

Y Delli Babu: Yeah, see, I think this generally Q3 will definitely be a place where we will see extra demand coming up considering the winter season. So, obviously there are certain inventories that got built up and also some of the export clearances also has made some of these inventories higher, I think that will come back to normalcy by the end of Q3 as usual.

Mukesh Saraf: Right and just the last thing on the insurance claim, I think you had said 100 crores is what we have received so far and the balance will receive in this second or third quarter. So, any more amount you have received on the insurance claims.

Y Delli Babu: No that 100 crores first is what we have received, but we have also now whatever the lead that could be recycled what was there in that factory has also been recycled so that I think we were able to recover roughly about 85 to 90 crores sort of that and also there were some amounts that were realized on debris clearance. So, roughly we can say another 90 crores is recovered through the material recycling and the rest we are confident that we will collect those claims from the insurance.

Moderator: Thank you. The next question is from the line of Parv Jain from Niveshaay Investment Advisory. Please go ahead.

Parv Jain: Just a few questions on EPR front, sir you mentioned about recycled material during your presentation. Can you please repeat the figure?

Y Delli Babu: We are setting up a recycling plant for lead acid batteries with an eventual capacity of 1,50,000 tons. In the first phase we will be having a capacity of 1 lakh tons which will be used captively by the battery manufacturer. So, we will be collecting these batteries from the channel and then these recycled batteries will be processed within the Amara Raja Circular Solutions Subsidiary.

Parv Jain: So, these batteries is generally available batteries in the market, or particularly our batteries.

Y Delli Babu: Yeah. See, the way scrap is procured is not necessarily our own batteries. Generally, the retailers pull up other brands as well. It is not that it is only be our batteries, it can be other brands as well.

Parv Jain: Okay and what will the primary usage of recycled material, our own consumption or resale?

Y Delli Babu: Yeah, it will be 100% own consumption even today we use a lot of recycled lead because lead acid batteries are almost recyclable up to 95% if not more, because you can recycle the plastic, you can recycle the entire lead. So, this is one of the most recyclable products so in that way currently we are using almost like 60 to 70% of lead and alloys requirement through the recycling material. Once we go through our own smelting unit, that percentage will only increase. So, once we put up our 1 lakh tons capacity that plant itself should give us roughly about 25 to 30% of our overall requirement. Rest we will continue to procure from other smelters as well as the virgin lead producers like HZL

Parv Jain: And Sir what is the cost advantage that we are seeing here? Is this procuring a primary lead versus recycled lead?

Y Delli Babu: From a procurement side, from external smelters, all the lead is generally linked to the LME. So, you will not see a significant cost difference. But when we do our own recycling based on our project estimates, we see that there could be at least a further saving of about 1 to 2% on the overall material cost. That's what is our estimate because we are setting up the one of the best technologies around recycling, so that should help us give some raw material edge, but we have to understand one more thing that in India, this scrap prices generally move in line with what the LME moves and also in the seasons of tubular batteries, you see that the scrap prices sometimes even shoot up more than what the LME benchmark is. So, in that sense that that price volatility of scrap batteries also have to be factored in. If you observe all of the listed smelters, the profitability numbers you must be already aware. So, I think there will be some level of cost reduction because we will also be reprocessing the plastic granules and then we will be using them in our that we are acquiring the plastic component business that should also give us some cost advantage. So, at this point of time, my estimate is on the lead material cost. We may see about 1 to 2% of cost advantage, but I would wait once we run the factory, at least for a couple of quarters, I think we can say with confidence as to how much is the possible material cost .

Parv Jain: So, just one last thing, what is the expected timeline for this setup?

Y Delli Babu: We are expecting to start the commercial production of this recycling unit sometime in the first quarter of next financial year.

Moderator: The next question is from the line of Vibhav Zutshi from J.P. Morgan. Please go ahead.

Vibhav Zutshi: My first question is on the new energy business. So, during your 4Q call, you had mentioned that this year we could see around 750 crores of revenue, growing 3x that of FY23. So, would we be still on that target any thoughts on whether we are going to see the further ramp up.

Y Delli Babu: That was a possibility that I have quoted, Vaibhav, we may or may not go closer to that number, but I am sure we should because now that the first half has almost hit the last year's full number, I am confident that we will be at least doubling the last year number if not more.

Vibhav Zutshi: And in your presentation, I am seeing Omega Seiki as a partner. So, is this like a new partnership that you have won over the over the recent past?

Y Delli Babu: No, these are, I mean you know that we are supplying 2 three-wheeler OEMs or battery packs. We have started supplying to them as well.

Vibhav Zutshi: And my second question is basically your announcement on entering into the lubricants business. I think earlier in September you had launched a new product. So, just wanted to get some thoughts around you know this business, do you have plans to scale it up? How should we think about the CAPEX going forward and how does this tie into the synergies that you are driving?

Y Delli Babu: Yeah, you would recollect that as part of our value maximization strategy, we have said that all the effects that we have on the legacy Lead Acid business have to be I mean used more effectively. So, naturally channel is one of our big assets and we felt there is a possibility of selling other Allied products through this channel so that both the value for the channel as well as value for the company is maximized. So, that is where the lubes came in as one of the products that we thought we can participate in. So, the initially idea is we are doing trading on these lubes for two-wheeler, four wheeler as well as the trucks and tractors. So, as part of optimizing the channels capability. In one sense this will also help expanding our channel as well because now we will be touch facing even those sole lubricant points as well, which may become one of the potential battery sellers as well. So, that way I think it should actually augment our channel as well. So, right now the thought process is to see what are those allied products which will actually help us grow and also help the channel to grow their overall business so that is where we have started this going forward, we will come back if at all. Right now, the CAPEX investment into this is very meager except for few mounds that we invest in. So, there is no rate capital that we are putting behind this business. So, if at all there are any plans around it. We will come back and share it with you.

Moderator: Thank you. The next question is from Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: First question from my side is more about the growth in our core lead acid battery business. One what is the aftermarket number that you would be having as of now and given that we see that the number of vehicles keep piling, what kind of growth rate are we seeing in this segment for us because of growth rate of 6 to 7% overall looks a bit low. So, I am trying to understand more about consistent growth for us.

Y Delli Babu: See, when we look at the vehicle segments, we know the OEMs were sluggish in the last 2 to 2.5 years. Naturally the fleet size growth is definitely limited on account of lower volume growth that we have seen in the OEMs. That will definitely play how the aftermarket grows with about 2.5 to 3 years kind of a lag. So, at this point of time we see that on a full year basis, the aftermarket for four wheelers maybe in the higher single digits that is around 7 to 8% on the optimistic side and maybe about 6 to 7% on the pessimistic side and the two wheelers we are seeing lower double-digit growth around 12-13% kind of an aftermarket growth is being seen as far as two wheelers are concerned.

Ayush Mittal: And this is the sustainable number you feel?

Y Delli Babu: Yes.

Ayush Mittal: Sir second question I keep wondering is that recently a partner pulled out a big chunk of equity but there was no participation from the promoters? Any thoughts on that and why we are not thinking of buyback or something at some point of time?

Y Delli Babu: I think the exit of Brookfield because after Johnson controls exited their power solutions business, Brookfield was a financial investor. It is a decision that they have taken as part of their global strategy so at that point of time, there was no direct purchase that has happened by the promoters. So, we will decisions around other buyback or any other capital allocation decisions are a matter of a continuous debate. It is not that we are ruling out anything at this point of time. We will take those because as a business we are also investing heavily into the new energy business. So, once we see the cash flow sustenance, the management is on a constant review of all these matters with respect to the capital allocation. We will come back to you as and when a specific decision is taken around it.

Moderator: Thank you. The next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Sir my first question was on I just wanted to understand how is the auto OEM volumes and Amara OEM segment volumes are correlated because one thing is very clearly visible in the market is that higher priced products are growing and there is a muted volume growth in the lower price segments in both two-wheeler and four wheeler segment. So, does it have any implication on the Amara's auto OEM volume growth?

Y Delli Babu: With the OEM platforms, whenever we participate, we do not say that we will only participate in certain segments, and we do not participate in others. So, it is like there are certain vehicle platforms. Sometimes the shares will differ, how much is given to one player vis-a-vis with other, so beyond those operational. details. I do not think there is any change in our overall strategy of participating in the OEM's. We are participating in almost all the OEMs as of now. We are even trying to in some of the OEMs which are now working on an AGM battery we are

also now ready with the product, and we are now trying to work with those OEMs to provide the AGM battery as well. So, in that sense be it on the product development, be it on participating in as many vehicle platforms that we can, there is no change in our stance. I think the idea to grow the market share within the range what we have set for ourselves will continue.

Gaurav Nigam: So, just a clarification, you are saying that overall volume growth of the industry should broadly mirror the auto OEM volume growth for Amara Raja. Is that correct understanding based on this statement?

Y Delli Babu: Yes, yes. On a full year basis, yes, but that would be minor **deviation** always.

Gaurav Nigam: Sir just one question on the lithium-ion batteries, Sir, I understand you are planning for FY26, but from the design perspective who are we targeting as a customer segment? Is it two-wheeler, three-wheeler or four-wheeler and are these capacities fungible in nature that we can do any kind of end user segment, and do we need to have MOU in place before we do the FY26 capital commitment? Just wanted to understand perspective on that.

Y Delli Babu: Initially, the NMC cells are going to be used in a two-wheeler product. There is also a possibility that some of the three wheelers may also use the NMC product. Secondly, as far as fungibility is concerned, from a chemistry point of view, they are reasonably fungible. There may be a requirement of a minor capital addition, but only when it comes to the farm factor there could be an additional CAPEX that we may have to spend, but otherwise, when we want to change from NMC to LFP, there may not be a significant CAPEX penalty. So, but as such in our long term view, at least at this point of time, we believe LFP will have almost a 60% kind of a share, whereas NMC chemistry may have about 30-35% and rest could be with the other chemistry that can come in. So, in that sense, we do not see a great capital risk around the initial investment what we are making. Both from a chemistry point of view as well as from an application segment point of view.

Gaurav Nigam: And sir your answer on the MOUs is that required for FY26 like capital commitment or that you will do it as and when it comes?

Y Delli Babu: I think in a B2B scenario at this point of time I do not have any specific more news that I can share with you, but these are ongoing discussions as and when things come to shape we will let you know.

Moderator: Thank you very much. The next question is from the line of Sandeep Dixit from Arjav Partners. Please go ahead.

Sandeep Dixit: Thank you very much. I just had two questions. The number one, you had mentioned that there is some kind of a one-off in the cost other expenses in this quarter, is it possible to quantify them?

Y Delli Babu: Yeah, I think I have mentioned that about 10 crores could be the one-off item in the expenditure because there are some specific projects that are running. So, once those projects are done, we may not incur it in the subsequent.

Sandeep Dixit: The second question was we have not seen your margins go back to the 15-16% levels that we used to enjoy. Is this some structural change that we have to live with this 13% kind of 12-13% level, can we expect to go back to 15-16% in two years or so.

Y Delli Babu: Yeah, like, like we discussed in some of our previous calls as well. If you align the margin percentages with the lead cost, for example, we have seen 16-17% EBITDA margins also when the lead was around 1,50,000 or even less. I think we have seen 1,35,000 also in some quarters. So, when you have such low level lead levels, naturally the denominator impact itself will play and then you see that though you make the same amount of money on per battery produced your suddenly your margin percentages will appear bigger. So, we have seen from there the lead moving up to about 2,37,000. So, we have been mentioning that we can we are from an internal process efficiency improvement or maybe realization improvement point of view. We can look at that kind of a 15-16 kind of an EBITDA margin around when the lead is around 1,75,000 to 1,80,000 level. But now we are, though we are at about 2,00,000 level, we have now in the current quarter we reached about 13.8% or so. So, the idea is how do we increase our margin quality though the underlying lead rate is constantly increasing. So, that effort is on. So, it is not that we can completely dealing the lead price level we saw with the margin profile where we are at. So, I think if we adjust for it, I think I am sure we are having the same amount of money for every ton of lead processed subject to some product mix changes.

Sandeep Dixit: So, then should I be actually looking at such an absolute EBITDA per battery rather than looking at it in terms of percentages? Is that what you are implying?

Y Delli Babu: Yeah, from a from an efficiency measurement point of view, yes, I would feel that is the right metric, but the effort is to see how do we increase the percentage as well.

Sandeep Dixit: OK, but what would that number be? What would that number be in terms of EBITDA per battery?

Y Delli Babu: See these are measured at each segment separately. I do not think we will be able to talk those numbers here, yeah.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir said taking into account our first half growth numbers. What should we anticipate going into H2? These are sustainable numbers in terms of the revenue and the profitability, what should we extrapolate?

Y Delli Babu: I do not want to leave a guidance here, but I think on an overall basis, on a full year basis, we can think about considering the industry growth rates, what we are seeing a 10% revenue growth is possible at this.

Saket Kapoor: Sir when you were answering regarding our insurance claim part and the other income component, have we accrued any amount for this first half I missed your comment, I think so 80-90 crore or some figure you mentioned. So, can you repeat the same once again?

Y Delli Babu: See the claim amount received is 100 crores, the inventory recycled is about 80-90 crores. So, they are not part of the other income. So, they go as part of the claim receivable that is already recognized in the last year.

Saket Kapoor: They do not form the part of the P&L that is these are all operational numbers.

Y Delli Babu: Yes, P&L. Yes, P&L you will not see the impact of the insurance claim because last year itself because the fire has not occurred in January 2023. So, last year itself, those claims, and recognition of the claim receivable has been completed.

Saket Kapoor: Like last second point was regarding this, the Telecom investment pipeline, Sir, if you could give us some color what they ask from the companies especially in terms of the replacement demand and also in terms of new tower being elected for 5G deployment or if you could give us some more color. What's the ask from them?

Y Delli Babu: Right now some of the 5G deployment base tower stations are also getting strengthened. So, that's where there is a requirement of additional batteries over there. But going forward, yes, this sector is also susceptible for chemistry change. So, the storage side, if the lithium prices were to be coming in a particular range then there we could see that penetration happening even in the telecom level, but at this point of time there is reasonable demand for the lead asset telecom battery. We have been using our capacities almost to the level of 85-90% kind of utilization, which was earlier around 75% kind of utilization. So, we see this demand might sustain for at least the next couple of years and we have to wait and see how the new chemistry will come in terms of each price on per kilowatt hour and based on that, the migration to the new technologies may happen.

Saket Kapoor: If I may squeeze in small point so when we look at the investment cycle or the investment phase where the company is currently and the amount of cash being generated since we are net cash just complete, what should investing community should look as a company as a whole for say 3-4 years down the line and the incremental cash generation even post the CAPEX that

have been announced, how should we look, say 4-5 years down the line as the name says Amara Raja Battery as the company.....

Y Delli Babu: See, from overall capital allocation point of view years how we should think is definitely a question that we grapple with on a daily basis because the investments into the new energy business are quite sizable and it is also not necessary that the entire additional cash accrual of the legacy business will be totally used for this CAPEX either to put up CAPEX for the legacy business or for the new energy business. At certain point of time when there is how do we fund the new business, what is the right debt and equity mix that should be there for the new energy business is a decision that we constantly evaluate. At this point of time, our idea is we should invest the initial risk capital and then make significant progress on some of the milestones that we have set for ourselves, once we do that, then definitely the capital allocation decision is a matter of time. I think each quarter we need to review these decisions and accordingly the decisions have to be taken. I do not think I can say any particular formula for it at this point of time.

Moderator: I now hand over the conference over to the management from Amara Raja Energy and Mobility Limited for closing comments. Go ahead Sir.

Y Delli Babu: Yeah, I am sure a lot of you might have many other questions and clarifications. We will definitely try and clarify them as much as possible. It is always a pleasure to interact with all of you. Some of your questions always add value to our thinking process. We welcome your questions. Thank you so much for your time. It is a pleasure talking to all of you.

Moderator: Thank you very much sir. On behalf of Amara Raja Energy and Mobility Limited that concludes this conference. Thank you for joining the call. You may now disconnect your lines.