

Amara Raja Energy

11 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Amara Raja Energy & Mobility Ltd. Q1 FY27 earnings conference call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jay Kale from Elara Securities Private Limited. Thank you, and over to you.

Jay Kale – Elara Securities: Good evening, everyone. On behalf of Elara Securities, we welcome you to the Q1 FY27 earnings conference call of Amara Raja Energy & Mobility Ltd. From the management team, we have with us today Mr. Y. Delli Babu, Chief Financial Officer, and Ms. Sujatha Rathetti, Head – Corporate Finance. I would now like to hand over the call to Mr. Delli Babu for his opening remarks. Over to you, sir.

Y. Delli Babu – CFO: Sujatha, you can go ahead with the opening remarks.

Sujatha Rathetti – Head Corporate Finance: Good evening, everyone. Thank you for joining the call. I will first give a brief overview of the Q1 performance, and then we can move on to the Q&A session.

For the quarter ended June 30, 2026, we achieved robust growth of around 24% on a consolidated basis, with revenue of around 4,215 crores. Approximately 95% of the revenue came from the lead-acid business, which grew by around 22%. The new energy business grew by more than 70%, recording revenue of around 290 crores.

Our revenue growth has remained strong, driven by sustained volume momentum in both the aftermarket and OEM segments. We continue to strengthen and deepen our market position in the automotive and home energy sectors. Four-wheeler and two-wheeler aftermarket volumes grew by around 15%, while the OEM segments continued to retain volume growth momentum of around 24% in four-wheelers and more than 35% in two-wheelers on a year-on-year basis.

Further, we delivered growth of more than 60% in the home energy business, both in tubular batteries and home UPS. During the current quarter, our tubular manufacturing plant operated at 100% capacity. However, we also continued to supply traded batteries to meet the excess demand. Trading revenue in the current quarter stood at around 18% of lead-acid battery revenue.

Our automotive international revenue declined by around 20% owing to significant volume drops in the Middle East market. We expect to recover these volumes in these markets in the subsequent quarters.

Revenue from the industrial lead-acid battery business grew by around 2% on a year-on-year basis. Volumes in UPS batteries grew by around 10%, although telecom lead-acid batteries continued to decline due to their migration to the lithium-ion segment. Lithium-ion telecom volumes grew by around 50%, and during the quarter, on a combined basis, we maintained a market share of over 60% in the telecom segment.

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The new energy business continued to deliver strong performance during Q1, with revenue growth supported by increased demand for telecom packs and two-wheeler packs. Both EV and telecom packs demonstrated volume growth of more than 50% on a year-on-year basis.

Further, we are happy to share that we inaugurated our customer qualification plant, with multi-form and multi-chemistry capability, in July 2026. The E-positive facility, which is our research facility, is also expected to commence operations in the current quarter. Both the first Giga 1 cell factory and the Best 10 gigawatt-hour pack factories are on track and are expected to commence operations as per the timelines indicated earlier.

During Q1, the standalone EBITDA margin was around 10.1%, and the consolidated margin stood at 9.6%. The margins were impacted during the current quarter due to elevated material costs, increased spending on brand promotions, and strategic initiatives, mainly {? Amaron SSS ?} and Factory of the Future.

Consistent with our long-term plans to strengthen our market position at a strategic level, we made a couple of long-term investments in manufacturing excellence, organizational capabilities, and brand promotion. The moderation in Q1 operating margins at the standalone level reflects these investments.

As communicated in our earlier earnings calls, we launched {? Amaron SSS ?} during Q1 FY27 in Hyderabad. This is a pilot project focused on providing automotive services to the B2C segment and deepening our customer engagement. Based on the learnings from the pilot, we will formulate our long-term plans for this service business model.

Further, to strengthen our market presence in the B2C segment and improve our brand equity across all product segments, we invested in brand presence during various events, including the IPL. This also led to some moderation in margins during the current quarter.

The other reason that contributed to margin dilution was the expenses incurred to improve our manufacturing excellence through capacity enhancement in our existing automotive plants. These costs will add to our manufacturing competitiveness in the near future.

Higher expenses on these strategic initiatives during the quarter led to margin moderation of around 0.9%. The other important aspect that led to moderation in profitability was a significant increase in the procurement cost of alloy, sulfuric acid, and poly. We took some price increases during Q4 FY26. However, subsequently, the procurement costs for sulfuric acid and poly also rose substantially during the quarter. To absorb these costs, we took a further price increase of around 3% in June, which helped offset a portion of these cost pressures, although not entirely. Additional price increases of around 2-3% will be rolled out during the current month.

The above raw material price increases also led to an increase in warranty provisioning, and the incremental costs during the quarter further led to some margin dilution, including freight costs. At the consolidated level, margins were lower by around 0.5%, standing at around 9.6%. This was primarily due to the additional costs in the new energy business towards our upcoming Giga 1 plant and Best plant.

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During FY27, we estimate that we will spend around 1,700 crores towards our capex projects, with a major outlay towards the new energy business of around 1,300 crores and the remainder towards our lead-acid business, including recycling capex. This capex outlay is mainly towards our upcoming Giga 1 plant, which is expected to commercialize during H1 FY28, and towards other projects, including the Best 10 gigawatt-hour and E-positive plants. Out of the planned 1,700-crore capex outlay for FY27, we spent around 450 crores during Q1 FY27, with major outlays towards the new energy business.

We would also like to inform you that on July 18, 2026, the Andhra Pradesh Pollution Control Board revoked the closure orders issued against the company on April 30, 2021, and the company has withdrawn the writ petition filed before the Honorable High Court of Andhra Pradesh.

With this, we can now move on to the Q&A.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets 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 Kapil Singh from Nomura. Please go ahead.

Kapil Singh – Nomura: Good evening, sir. Regarding gross margins, I wanted to understand what price hikes we have taken in Q1 and what kind of cost pressures we are facing now. Have we been able to recover most of the cost pressure?

Management: As mentioned by Sujatha, we took a price increase of around 3% in Q1. Given the kind of increase we are seeing in some of these raw materials, this could not fully offset the cost pressure. Therefore, additionally, this quarter we will be taking further price hikes of around 2–3% across product segments.

If the current prices remain where they are, this might be sufficient. However, we are continuously seeing an increasing trend, particularly in poly and sulfuric acid. Some alloys, such as tin, are also showing a further tendency to increase. We have to wait and see how these price levels prevail and take decisions regarding pricing at an appropriate time.

The price hikes in the B2B segment will be delayed because negotiations have to happen with various B2B customers. To that extent, there could be an impact that we may have to absorb, but most likely we should be able to recover it, if not fully in Q2, then in the succeeding quarter.

Kapil Singh – Nomura: Thank you. Regarding other expenses, are there any items that we can consider non-recurring? Other expenses have grown faster than revenue, so I want to understand that.

Management: As explained by Sujatha during the call, some of those initiatives, particularly brand promotion, will continue for some time, but over the next couple of quarters they should return to normal levels.

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Regarding warranty provisioning, when the underlying product cost increases, I also need to carry provisions for the entire unexpired population. That also becomes a one-time hit on the P&L.

If freight and fuel costs persist from here, again, given the geopolitical issues, those costs may recur in the next quarter as well. Beyond that, the other costs are all in line with the increase in volumes. The substantial tubular volumes we saw in the last quarter also resulted in higher freight costs because these are larger batteries. The rest of the costs are growing in line with the enhanced volume throughput during the last quarter.

Kapil Singh – Nomura: Thank you. I also had one question on the Best business. Could you outline what kind of asset turns we can expect, what the capex requirement will be, and what margin range we can expect? There appears to be heightened competitive intensity in this segment as well. Could you discuss our competitive advantages and how you are thinking about this business?

Management: The initial capital outlay for the Best project could be in the range of 250–300 crores, and its capacity will be around 10 gigawatt-hours. At the current base price at the containerized solution level, the price could be anywhere between 100 and 120 dollars. In terms of asset turns, it will definitely be higher.

In terms of operating margin, it may mimic the way the current pack business is performing, at around 5–6% or 6–7%. As we localize more and more components, the margin profile might change somewhat, but it will continue to have operating margin levels of that kind. The EBITDA margin could be around 7–8%, while a conservative margin could be around 5–6%.

As far as competitive intensity is concerned, I think this project should also, over a period of time, help us bring cell production into the country. In line with the government's support for localizing supply chains for these BESS systems, I am sure it will help us establish customer relationships for all these products and eventually lead to the cell localization required for this BESS program.

We have to think long-term. The increased demand for energy storage requirements in the country, not only at the grid level but also at the C&I level, will definitely help fill this capacity and should also feed into our cell program expansion.

Kapil Singh – Nomura: So this will be LFP, right?

Management: Yes, it will be LFP. Currently, people use a 314 Ah cell, and there can be suitable modifications in the future.

Kapil Singh – Nomura: Sure, thank you. I will come back in the queue.

Operator: Thank you. The next question is from the line of Vibhav Sakshi from JP Morgan. Please go ahead.

Vibhav Sakshi – JP Morgan: Thank you for the opportunity. Going a bit deeper into other expenses and the 0.9% hit that you called out, which is around 35 crores, can you provide a broad split between the costs for brand presence, warranties, freight, and manufacturing processes?

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Management: The overall number has already been provided. The costs comprise brand promotion activities, the Amara-Assist pilot project, and some of the Factory of the Future initiatives, which are essentially enhancing throughput across our manufacturing plants.

From an accounting perspective, although throughput is enhanced, I cannot capitalize these costs and need to treat them as revenue expenditure. These are the three major initiatives that have caused the increase in expenses, apart from the warranty expense provisioning I mentioned, as well as other power- and freight-related expenses owing to the volume increase we saw in the last quarter.

Vibhav Sakshi – JP Morgan: I have a broader follow-up question. Over the last few years, other expenses as a percentage of sales used to be around 12.5%. This has been increasing, and there have been multiple cost increases, including power and fuel. Where do we see this stabilizing over the next few quarters? Can it come down to 13%, or should we expect it to remain elevated?

Management: Some of these initiatives are significant-ticket items. Once we stabilize our promotion expenses and complete the bottleneck-upgradation expenses we are incurring through capex, I think we will see a declining trend.

However, there are a couple of expenditure items, such as freight due to the higher fuel costs we are currently experiencing, and warranty expenses due to the higher raw material costs we are seeing. These will come down only when the underlying cost drivers come under control.

Otherwise, the other expenses, whether employee costs, administrative expenses, or other items, will continue to remain moderate as we move forward. These exceptional items that we are seeing now will reduce once these projects are fully completed.

Vibhav Sakshi – JP Morgan: Understood. My second question is on the EV and lithium-ion business. First, have we received the equipment for the 2 gigawatt-hour NMC line? I think you mentioned last quarter that the order had been placed, so I wanted to understand the current status.

Management: The equipment is due for delivery in Q3.

Vibhav Sakshi – JP Morgan: Understood. As a follow-up, regarding the BESS facility, how do we see the ramp-up happening? Do we have customer commitments, and what will the utilization level be, assuming that the facility is commissioned over the next couple of quarters?

Management: Initially, I think there is sufficient visibility with major EPC players that are installing projects for various power-generating stations. We are seeing a reasonable order book in India itself. There may also be export opportunities as we move ahead into other markets.

I do not see a major challenge in reaching a utilization level of around 5 gigawatt-hours within a period of approximately 6 months from the time the factory is completed. From there, it will depend on how the market develops.

The capacity can be made up because the line capacity itself is 10 gigawatt-hours. That is why we proceeded with the 10 gigawatt-hour line capacity. I think we should be able to ramp up, considering the way the requirement for solar energy is developing in this country.

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Vibhav Sakshi – JP Morgan: Great. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Moksh Mandesha from Anand Rathi Institutional Equities. Please go ahead.

Moksh Mandesha – Anand Rathi Institutional Equities: Thank you for the opportunity. First, I would like to clarify the BESS point. Once the plant starts, can we ramp up utilization to around 5 gigawatt-hours within 6 months?

Management: Depending on how we see the market and the kind of order flow we receive, our belief is that within about 6–7 months we should be able to ramp up to that level. Thereafter, it will depend on how demand develops.

Moksh Mandesha – Anand Rathi Institutional Equities: Understood. So that level of orders is backed by capacity?

Management: No, I am saying that, based on the market demand we are seeing today, there is a possibility that we can reach that kind of level over a period of around 6 months. This is because of the various existing order books we have seen in the country. We should also find a way to seed the market in other geographies so that we increase the utilization level and continue to grow consistently.

Moksh Mandesha – Anand Rathi Institutional Equities: Understood. This quarter, there was a trading mix of around 15% of revenue. I want to understand how this trading mix will develop and what the impact of this was during the quarter. Also, is there any update on how the new tubular and recycling plants are supporting margins?

Management: As far as trading is concerned, this quarter we had a significant tubular season. Our tubular plant was being fully utilized, as Sujatha mentioned earlier. In addition, we had to purchase and trade inverter batteries and HT UPS systems. Because it was a tubular season, the trading revenue percentage was higher.

Naturally, at the gross margin level, trading dilutes the gross margin because the manufacturing cost is also incurred as a purchase of stock-in-trade. The same percentage of revenue may not continue in the subsequent quarters because the tubular requirements in those quarters will be met from our own manufacturing plant.

Regarding recycling, the battery-breaking operations are still in trial production. Recently, scrap prices in the country have also moved substantially higher. At present, if we purchase scrap and reprocess the lead, the costs are almost equal to or slightly higher than the LME lead price. To that extent, there was some cost pressure on the recycling plant during this quarter.

Otherwise, once the battery-breaking plant is stabilized, the batteries that we procure from the market to satisfy our EPR obligation should be sufficient to feed the plant. If the recovery from that plant is higher than what we are achieving today, it should also help contribute to overall operating margins.

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Even in the earlier calls, we said that it could improve material costs over and above what we are purchasing today, provided local scrap costs remain within the earlier limits. However, we have to wait and see. Once our battery-breaking operations stabilize, we will be able to provide a clear number that can be factored in properly.

Moksh Mandesha – Anand Rathi Institutional Equities: Understood, sir. Thank you for the opportunity.

Operator: Thank you. The next question is from the line of Raghunandan from Nuvama Research. Please go ahead.

Raghunandan – Nuvama Research: Good evening, sir. Thank you very much for the opportunity. For Q1, could you comment on the export side, where performance was muted? How do you see the trend going forward? Also, within industrial, could you discuss the various categories, such as UPS and others, and how performance has been across segments?

Management: As Sujatha explained in the opening remarks, overall automotive exports declined by 20% in volume on a year-on-year basis, predominantly because of lower shipments to Middle Eastern markets. The alternative sea routes are quite costly from a freight perspective.

We expect some normalcy to be restored in the coming quarters, after which we should be able to recover this lost volume and return to the regular volume throughput we have seen in these markets. This is, of course, dependent on how the evolving geopolitical situation develops from here.

As far as the industrial business is concerned, UPS batteries grew by around 10% during the current quarter, while telecom continues to shift to lithium-ion. However, lithium-ion offtake was also substantially higher during the quarter, which is why the new energy business grew by almost 60–70% in revenue over the previous year.

The other segments are growing in the range of 5–6%. These are smaller segments, such as railways and power control, where growth is in line with our earlier estimates of around 5–6%.

Raghunandan – Nuvama Research: Thank you, sir. On the BESS revenue potential, you indicated 100 to 120 dollars. For this kind of 300-crore investment, would you be looking at something like 3–4 times gross asset turnover? Would that be possible?

Management: I would not want to jump to a conclusion around the numbers because some of this will also depend on the product mix that eventually develops. I am just giving you an overall unit metric from an industry perspective.

Once we actually run this plant for around 6 months, the picture should become clear. I would say its economic metrics will be more or less in line with how the pack business is performing at this point. Any improvement from there will depend on how much content we are able to localize.

Raghunandan – Nuvama Research: Noted, sir. On the lithium cell side, you will be starting the customer qualification plant and sample supplies to customers. Is acceptance faster for telecom and stationary applications compared with automobiles? How much time do you think customer

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testing and the homologation process will take? By when do you expect clarity on new orders from customers?

Management: Currently, we are making the B-samples of the 21700 cells, which we would like to provide to the OEMs with whom we are discussing the requirement for those NMC cells. On the EV side, as you know, there will be extensive testing of those cells. Eventually, when our gigafactory is ready, we will be in a position to supply those cells.

The C-sample testing and the other processes will also take some time. This will definitely reduce the time taken by OEMs to complete their homologation once the B-sample is ready.

The customer qualification plant not only helps accelerate the approval process, but also helps us understand the production process better and assess how we can control some of the ramp-up costs in the first gigafactory. That is the dual purpose for which we constructed the facility.

Right now, the NMC cells are being produced. After internal testing of those cells is completed, we will provide them to the OEMs for their testing.

Coming to the storage side, any LFP cell that we generate using our own technology can be tested in this plant. If we are able to convince B2B customers regarding their energy storage requirements, the time taken for customer acceptance may be substantially lower than what an EV customer would require. Some of these packs also come with a warranty commitment to energy storage customers.

However, for certain critical installations, such as telecom, customers will ask for extensive testing before accepting any particular cell. Any cells made by any supplier require customer approval, but the time taken by energy storage customers is definitely lower relative to EV customers.

RaghuNandan – Nuvama Research: Noted, sir. Regarding the PLI, there is a 10 gigawatt bid that is open, in the sense that the tender application process has started. Would you be considering it? How are you looking at it?

Management: We are reviewing the tender documents. Depending on the qualification criteria they have specified, we will participate in the tender while weighing our options regarding how to proceed. It is an opportunity in which we will definitely try to participate.

RaghuNandan – Nuvama Research: Thank you very much, sir. This is very helpful. I wish you all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Shubham from Investec. Please go ahead.

Shubham – Investec: Thank you for the opportunity. My first question is on your lithium-ion cell foray. You had earlier indicated that your Gotion tie-up did not go as planned. Can you clarify whether that is also the case with your NMC technology partner? Also, are you looking for any new technology partnership with a non-Chinese player for LFP?

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Management: From the beginning, there has been a clear Plan B because we know that any technology support we receive from external sources needs to be augmented with our own internal capability.

Regarding the NMC cell, whatever earlier relationship we had enabled us to bring in the technology, after which our own team was able to improve the cell beyond what we had initially taken, based on current customer requirements. To that extent, there has been some de-risking from the technology and talent perspective, as well as in terms of our own ability to adapt or develop technology for the requirements of this market.

As far as newer technology relationships are concerned, I would not say that we are not considering them. However, we will evaluate them on a need-based basis wherever we believe external help can augment our internal capability. We will work on a case-by-case basis.

At this point, given the geopolitical restrictions, I do not think a broad-based technology arrangement with any company from China is possible.

Shubham – Investec: In the presentation, you had indicated plans to set up 16 gigawatt-hours by FY30. Given that there has been some delay and some challenges from China, is that still on track? Should we expect lower capacity to come on stream by FY30 than 16 gigawatt-hours?

Management: I would like to clarify that the 16 gigawatt-hours we had identified was based on our initial strategy. We had said that there would be a need to invest close to 9,000 crores in this business, and that there was a possibility of reaching 16 gigawatt-hours, given that India could have a market size of 100-130 gigawatt-hours.

We felt there was a reasonable chance for us to achieve a market share, given that some EV requirements are met directly by OEMs. As the potential market changes its mix, we also need to change our plans. It is not that I will build the capacity irrespective of the demand signals I receive and the cells required by customers.

We have to invest carefully in capacity because any redundant capacity we create will be highly taxing on the financials. We have to be sure that the standard cells we initially build have sufficient demand, and then expand the capacity accordingly.

Even today, if you were to assess the risks of the lithium-ion business, I would intuitively say that demand is not the highest risk. It may definitely be in the bottom quartile because demand is coming from both EVs and the ESS segment.

Given our program, we may now prioritize an ESS cell over a standard EV cell because that could increase demand much faster. Therefore, while the milestone for a given capacity can change, our broad strategic direction of targeting approximately 15-20% market share of the available lithium cell market potential remains intact. The timing can change based on demand as well as the product mix required by the market.

Shubham – Investec: Thank you for clarifying. I have one further clarification. Regarding your lithium pack revenues, they are booked entirely in the subsidiary, correct? None of them are captured in the standalone business?

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Management: In this quarter, some quantity was booked in the standalone entity because product approval had earlier been obtained in the standalone entity, similar to the trading activity that took place in the holding company last year.

We have now migrated this activity. From the coming quarters, there will not be substantial lithium trading revenue in the holding company. It will move entirely to the subsidiary.

There could be smaller volumes in other segments, such as commercial and industrial products or some of the segments that we serve through our industrial channel. However, essentially all telecom packs will move completely to the subsidiary.

Shubham – Investec: Thank you for clarifying. Thank you.

Operator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora – Kotak Securities: Thank you for the opportunity. My first question is on the growth expectations for the lead-acid business. We saw very strong growth in Q1, OEM is doing well, and replacement continues to do well. How should we look at full-year growth expectations in terms of volume for the lead-acid business, particularly to understand the replacement market?

Management: Domestic aftermarket growth, as we have mentioned in earlier calls, cannot be assessed based on one single quarter as a long-term guidance. Naturally, growth of around the lower double-digit range is possible on the two-wheeler side.

As far as four-wheelers are concerned, growth may be slightly lower than in two-wheelers. Our estimate was that it could grow anywhere between 7% and 8%. That kind of growth is possible, but considering the base we are seeing today, those numbers will moderate as we move ahead. We will also see higher penetration on the EV side.

Our lead-acid growth should receive a further boost once the international business returns to normal. Our forecast or thought process is that the lead-acid battery business as a whole—including industrial, mobility, and exports, with every opportunity taken together—can still achieve a revenue growth rate of anywhere between 9% and 10% in the coming medium term. That is the sense we are getting.

Rishi Vora – Kotak Securities: This guidance is for volumes, correct? So the price hikes we have taken should add further to revenue.

Management: I am not calling this a guidance. This is the overall possible industry growth estimate, predominantly in terms of volumes. Any price changes will depend on how much we are actually able to pass on to customers.

We have seen that the B2B segment has its own challenges in passing on the full increase, while in B2C, we are able to pass it on with a lag. So you are right; I am discussing much of this from a volume perspective.

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Rishi Vora – Kotak Securities: Regarding your comment on LFP, you indicated that the incremental focus may be on the energy storage segment. Given that we do not currently have a partner, although we may have one in the future, how easy or difficult is it to develop LFP technology? What incremental R&D investments will be required? Does developing this technology take time, or can we develop the product within 1-2 years and start supplying customers? Any perspective would be helpful.

Management: We have made sufficient investments in both the skills and the facilities required for research. Teams are in place and are currently working on these product developments.

Obviously, I cannot provide a timeline for every product we are developing. I can only say that the company has sufficient capability, and certain other relationships we are working on will definitely help us develop the products required by the company.

From a timeline perspective, it would be premature for me to comment on any specific timeline because it will depend on the development program we establish for a given cell type. I would say that a Plan B is in place. Even if there is some delay here and there, we will be able to execute using our own capability, which will help us develop products that are more suitable for this market.

The key is to get the industrialization right. The product recipe is one thing, but getting the industrialization right at the required throughput level and process scrap level is important. The teams are currently engaged in both aspects, which is where we are spending our resources.

Even this year, we may spend close to 100-150 crores towards R&D and cell development. We will need to incur this level of expense until some of the cells we are currently discussing become available for commercialization.

Rishi Vora – Kotak Securities: Understood. I have two clarifications. First, on the debt side, when we discussed 200-300 crores of capex, there will also be a working capital requirement for this cell business. What would that number be, or could you guide us in terms of the number of days?

Management: It depends on the customer mix we are dealing with. If I am providing a containerized solution to an EPC player, it will depend on the business models that evolve and the types of projects to which we are supplying.

If I take a cue from my current pack business serving the B2B segment, my working capital base could be around 90 days, give or take. It also depends on the credit arrangements we will have for cell procurement from China.

I do not think I can provide a 100% certain number at this point. However, if I were to give an estimate, a 90-100-day cash conversion cycle is not impossible to achieve.

Rishi Vora – Kotak Securities: Lastly, on the warranty side, between lithium and lead, when we shift to lithium manufacturing, will warranty provisioning be different, or will it be higher or lower than for lead-acid?

Management: Warranty obligations for lithium packs today are actually at the pack level. Cell makers provide back-to-back warranty assurance on the cells, and that should remain the same

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even when we make domestic cells.

As to how we provision for it, how we calculate the material cost, and what the failure percentage could be, these are matters that I cannot disclose or discuss today for the simple reason that we have to wait and see for the first commercial cell to come out. I think it would be too premature for me to put a number around them.

Rishi Vora – Kotak Securities: Understood, sir. Thank you for your answer.

Operator: Thank you. The next question is from the line of Dipesh Joshi from Elara Securities. Please go ahead.

Dipesh Joshi – Elara Securities: Thank you for the opportunity. My first question is regarding the lithium and EV side, specifically cells. How should we think about price discipline going forward, and what do you believe will be the primary basis of competition over the next few years?

Management: On the lithium and EV side, some OEMs are building their own plants, and there are four battery manufacturers that are currently present either in the lead-acid space or in the lithium space.

By and large, there could be a market with, at best, three to four players on the cell side. That is our estimate based on the announcements we are seeing today.

From a pricing and competitive perspective, I do not think companies in India will compete primarily with each other. Rather, all of us will have to continue competing with imports entering the country.

To that extent, when competing with China, we are clearly at a price disadvantage. As we discussed in earlier calls, that disadvantage could be in the range of 15–20% today, simply because of the strong supply chain that exists in China and because we are still at a nascent stage of developing this market.

Until we develop sufficient depth in our own supply chain and receive some protection from the government, we should be able to stabilize this industry in the country.

Dipesh Joshi – Elara Securities: You did say that there might be some changes to the 16 gigawatt-hour plant capacity. Even with the new capex that may be undertaken, do you have any plan in mind regarding the debt–equity ratio? How are you going to fund the upcoming investments?

Management: There are obviously multiple options on the table. Cash flows from the existing business are strong enough to fund this business.

As indicated earlier, the initial risk capital we agreed to was about 2,500 crores, with which we are able to complete the five facilities we are discussing. Thereafter, for any future capex requirement, we will have to explore our options.

The holding company can continue to fund it. Obviously, there is a limitation on the debt-to-equity level, but I would not want to specify a number at this point because I need to evaluate each of

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these business cases and decide accordingly whether leverage is appropriate or whether I should consider another funding option for this expansion.

These questions are definitely on the table. I will be able to provide broad guidance as and when the new capex programs are announced, including how we intend to achieve financial closure for them.

Suffice it to say that, considering cash generation of at least 700–800 crores post-tax and post-dividend, there is sufficient financial capacity remaining in the holding company to fund this business for some time. However, that does not mean we will have complete freedom with our capital allocation.

Those decisions will be taken based on the investments we make in particular cell capacities and the risk factors associated with those businesses. At the appropriate time, those capital-structuring decisions will have to be modified.

Dipesh Joshi – Elara Securities: Thank you for the opportunity.

Operator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh – Nomura: When we talk about lithium-ion cells, is the product continuously evolving, or are we seeing relatively stable technology for NMC? Since the products are also evolving, I am trying to understand whether there are significant R&D requirements, or whether, once we acquire a technology, we can continue supplying it for the next few years without major changes.

Management: I can only say that the pace of change has definitely moderated. I would need to discuss this further with my technology team before giving a conclusive answer, but my understanding is that the pace of change has moderated.

That is why, when we approach a particular cell program, we have to be clear that the capex we incur provides us with the opportunity to serve that product for a reasonable period in the future.

Secondly, we should build the plant or work with equipment vendors in such a manner that fungibility between one product type and another can be achieved easily. Accordingly, the capital requirement for creating fungible lines should be factored in whenever we undertake new cell commercialization plans.

Regarding the R&D investment required, we have said from the beginning that we want to create a capability within the company that can deliver the products required for this market. That effort cannot be reduced simply because we are able to commercialize a couple of standard cells that are not changing.

Technology requirements will continue in this business. It is not something we can eliminate simply because we have some capacity to manufacture regular standard cells.

Kapil Singh – Nomura: Thank you. Regarding raw material availability, what kinds of risks are there, and how are you thinking about managing those risks?

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Management: Clearly, on the supply chain, particularly for cathode material, we have to depend on China for procurement. There are no two ways about it.

However, various players in the country are also making efforts to localize parts of that supply chain. We have to wait and see how those plants reach a certain level of maturity.

In the long term, I think the industry as a whole will strive to localize the required supply chain in the country. Otherwise, substantial value cannot be retained within India. The government's direction and policy push are also moving in that direction.

I am hopeful that, in the long term, we will be able to bring a large portion of the supply chain into the country.

Kapil Singh – Nomura: There are supposed to be some restrictions from China on exporting certain materials, such as cathode materials or graphite. Is there any risk that we need to monitor here? Something came out on October 25, and then it was delayed by 1 year. Is there also a risk on account of that?

Management: Regarding processed battery materials, at this point we have not heard anyone say that they will not supply them. However, from the broader perspective of supply chain development, this is definitely a factor that needs to be monitored, not just by one company but at the industry level.

At this point, I am not aware of any specific restrictions. There were restrictions on certain core materials, but not on battery cathode or anode materials. I have not come across any specific restriction of that nature, but I will double-check once again and update you if I receive any information.

Kapil Singh – Nomura: Sure, thank you, sir.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question of the day. I now hand the conference over to the management for closing comments.

Management: Thank you again to everyone for joining and for your questions. Over to you, Ajay.

Ajay – Elara Securities: On behalf of Elara Securities, that concludes the call. Thank you all for joining, and have a good evening.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.