June 2, 2026

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 Earnings Call - Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated May 21, 2026, the transcript of the Earnings call held on May 26, 2026, is enclosed herewith and the same will also be available on the website of the Company at: https://www.amararajaeandm.com/investors/Earnings-calls.

We request you to take the same on record.

Thank you

Yours faithfully
For Amara Raja Energy & Mobility Limited

VIKAS SABHARWAL

Vikas Sabharwal
Company Secretary &
General Counsel

Encl: a/a

“Amara Raja Energy and Mobility Limited

Q4 FY26 Earnings Conference Call”

May 26, 2026

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

MODERATOR: **MR. MUMUKSH MANDLESHA – ANAND RATHI SHARES AND STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Amara Raja Energy & Mobility Limited Q4 FY26 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi Shares and Stock Brokers Limited. Thank you, and over to you, sir.

Mumuksh Mandlesha: Yes. Thanks, Sagar. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Q4 FY26 Results Conference Call of Amara Raja Energy & Mobility Limited. From the company, we have Mr. Harshavardhana Gourineni, Executive Director, Automotive and Industrial; Mr. Vikramadithya Gourineni, Executive Director, New Energy Business and Mr. Y Delli Babu, Chief Financial Officer. I request him to give an opening remarks, and then we can follow with the Q&A session. Over to you, sir.

Y Delli Babu: Thank you, Mumuksh. Thank you, everyone, for joining this call. I will first give a brief on the Q4 performance and the numbers. And later, I would request the Executive Directors to give their opening remarks. During Q4 of FY '26, we have achieved a consolidated revenue of about INR3,530 crores.

That's a growth close to 15% over the previous year. Of this revenue, about 92% came from our Lead Acid Battery business and the rest is coming from the New Energy business. The New Energy business clocked a revenue of about INR280 crores from the sale of battery packs and chargers.

The current quarter, we have seen a robust growth from in the Lead Acid Battery business, particularly driven by the domestic automotive volumes. The 4-wheeler OEM volumes have seen a sustained growth over and above 30% during the current quarter. The aftermarket volumes also considering the larger base have grown about 5% to 6%, both in 4-wheeler as well as 2-wheeler.

We have seen a very sustained demand momentum during the current quarter on our tubular batteries and the home UPS systems. The tubular battery volumes grew more than 35% during the current quarter with the onset of the season. Unlike previous year, where our tubular batteries were completely traded, this quarter, more than 70% to 75% are from our in-house manufacturing, but still we are trading at about 20% to 25% from other manufacturers.

The lubes market -- the lubes product also have shown reasonable growth in numbers, and we have now reached a scale of about INR50 crores per quarter as a sales revenue from this segment. During the current quarter, with the ongoing geopolitical issues, we have seen a muted growth in the export volumes of Automotive business. And we hope in the next coming quarters, the momentum will revive.

The overall lead acid industrial volumes other than the Telecom segment have grown around 3%, while telecom has continuously seen the transition to lithium and hence, there is a reduction in the lead acid volumes of telecom, while it is suitably compensated with the lithium volumes and our overall market share within the Telecom segment continues to remain robust around 50%.

The kind of volume growth that I have alluded to resulted in an overall revenue growth of 16%. But when I look at my Lead Acid Battery business, the growth is about 12% over the previous year. The revenue for the quarter from exports stood at about 11%. And the New Energy business, as I mentioned earlier, continued a strong performance, which is almost like 1.5x more than the previous year.

In the current quarter, we have almost supplied more than 300-megawatt hour of telecom packs to various telecom players. And in this current quarter, we have also infused about INR100 crores further into Amara Raja Advanced Cell Technologies, our new energy subsidiary. With this, the overall investment into this subsidiary is about INR1,500 crores.

We are expecting the customer qualification plant, which is under commissioning is expected to commence its full-scale operations in the coming months. And we are also setting up a battery energy storage facility, which will cater to C&I and grid applications, and it is expected to start its production sometime during the Q4 of this fiscal year itself.

And the first Giga factory is also under construction. As far as margins are concerned, the current quarter has seen the overall EBITDA margin standing at about 11% on stand-alone basis. But if I adjust for the trading revenue of lithium batteries, then the Lead Acid Battery business has generated an operating margin of 11.6%. If we consider the operating efficiency of our captive recycling plant and adjust the lithium pack trading revenue, then the EBITDA margin of Lead Acid Battery business as a whole is actually at 12.3%.

At Lead Acid Battery business level, we are able to sustain operating margins about 12% despite tremendous cost pressures that we are seeing both at the raw material level as well as some of the operating costs as well. Raw material costs, particularly in the alloys and sulfuric acid have increased substantially during the quarter due to the ongoing geopolitical conflict as well.

In addition, we have also seen a higher OEM mix during the current quarter as both in 4-wheeler and 2-wheeler, we have seen a growth of upwards of 30% in the OEMs, which is where there is an impact on the overall margins as well. To mitigate some of these raw material price increases, we have taken some price increases in Q4 at about 5% to 6% in the Domestic Automotive business in tranches.

And now considering the way the rupee is depreciating and also the enhanced cost of freight and raw materials might force us to look at some more price increases in the coming periods. So with that background of Q4, when I look at FY '26 as a whole, the consolidated revenue stood at INR13,814 crores.

That's a growth of about 7.5% over the previous year, supported by both the Lead Acid Battery business as well as the Lithium Pack business as well. On a full year basis, we posted a robust growth in the domestic volumes, both in the Automotive and Home Energy segment. Automotive domestic volumes on a full year basis also has seen a OEM growth of almost more than 20% and double digit percentage of growth was also observed even in the home energy side of it.

However, the international volumes have marginally reduced over the previous year, considering the overall geopolitical developments in Middle East as well as the tariff barriers that we have seen in the North American market. Still, the total exports have contributed about 12% of the total revenue in the current financial year.

And as far as lithium is concerned, we have crossed a supply of close to a gigawatt hour of packs to telecom segment in FY '26, and we continue to supply packs for 3-wheeler and 2-wheeler applications. The full year margins at the consolidated level stood at 10.8%. However, at lead acid battery level, our operating margin for the full year is at about 12.2% despite reduction of international volumes and continuous increase in the input costs and other expenses like EPR liabilities and warranty costs.

The consolidated level margin dilution is due to additional expenses that we are incurring on our New Energy business product development and ramping up some of the production facilities. As far as the exceptional income that would you have seen in the P&L is concerned, that is predominantly coming on account of the insurance claim that we have fully received now for our tubular battery fire accident, adjusted by the one-time gratuity cost that we had to take because of the implementation of labor code.

As far as capex is concerned, we have spent roughly about INR600 crores in our Lead Acid business, both between the Battery business as well as the Recycling business. And the rest of the money was spent on the new energy projects, including the research lab and then Customer Qualification Plant. And these numbers, if I net off against the insurance claim that I have received, then the lead acid capex would be around INR500 crores.

In the coming year, we would be spending an amount in the range of INR1,500 crores to INR1,700 crores as capex, about INR400 crores or so in the Lead Acid Battery business and less -- rest of around INR1,100 crores to INR1,200 crores of capex in the New Energy business. This is a brief on the results. Now I'll request our Executive Director for Automotive and Industry, Mr. Harshavardhana Gourineni, to give his opening remarks.

H. Gourineni: Thank you, Delli, and good evening to everyone on the call. Thank you for joining us. This past year, FY '26, definitely, the business has seen various headwinds, but we're very happy that we've been able to come out of it with good resilience. As the automotive market, especially the aftermarket in India is showing signs of maturity and growing at a mid- to high single-digit growth, we're able to grow beyond that market rate.

Our segments in OEM, Delli Babu mentioned that we're seeing significant growth, the same way with our renewed focus on home energy, we've been able to further penetrate segments that were admittedly underrepresented in the past. Our in-house design and development of power electronics has really given a boost to our Home Energy Solutions.

Along these lines, we continue to explore new ways to leverage our channel. We are also further investing into our flagship brand, Amaron to build visibility and offer brand-led growth. The international markets due to tariffs, geopolitical tensions, shipping headwinds have definitely saw muted growth.

That being said, we were able to keep all of our customer relationships intact. We continue to stay deep and command significant market shares in the regions of Middle East, Southeast Asia and Africa. We've made penetrations into Europe and continue to have customer engagements in the U.S.

We will continue to grow and also look at operationalizing strategies for localization. This will be done to make sure that the sales and service support to customers continue to stay intact in expecting continuity in times such as these. On the industrial side, we had robust growth in the UPS segment, which also bolstered by the data center growth here in India.

It's also an export market for us that we continue to build on. We're also leveraging these same relationships in the commercial industrial space to be releasing our own BESS solutions to these customers, continuing to build on the trust that we've had with these customers for the last several decades.

Our approach to all industries has been to make sure that we provide the right solutions to all of our customers for the right performance, making us truly multi-chemistry, technology agnostic and a leader in low-voltage solutions. So being a low-voltage solution provider, we're keeping all upcoming chemistries in mind when it comes to low voltage and automotive, whether it's for SLI applications, mild or strong hybrid, auxiliary batteries.

So all these technologies are being released for the requirements of the customers. Of course, this is leveraging the strong OE relationships we have, and it's very evident in the growth we're getting in OE. We are able to cater to these increasing volumes by unlocking significant throughput in our existing manufacturing locations within the same footprint by leveraging digital capabilities by bringing in best-in-class efficiencies.

And we will continue to do this to reach our growth plans in the years to come. I'm also happy to share that though our plants are located in distressed water situation areas, we've been assured 12x water positive in these locations and continue to work very steadfast in our sustainability goals.

We're also zero waste to landfill, which is also a significant achievement this year. And these efforts will be taking forward similarly to the reductions we've done in our energy expenditure and increasing renewable energy share. And going forward, we'll continue to see growth in our international markets across all business lines. We'll continue to unlock capacity and value from

our existing investments, and we will be able to take advantage of all market conditions and technology adoptions because we will be the number one low-voltage solution supplier in India. Thank you.

Y Delli Babu: Thanks, Harsha. I request Vikram to share his opening remarks, please.

V. Gourineni: So good afternoon, everybody. Thanks for joining the call. I think the last several years, we've been sharing information about our new energy initiatives, which is centered around the Giga Corridor infrastructure that we've been building out. I'm happy to share that we have substantial updates for you.

While we signed the MoU with the government of Telangana 3 years ago, up till now, we've been largely operating Pack Assembly facilities. This is spread between Tirupathi where we do largely the stationary production for telecom packs as well as Divitipally where we are largely focused on light electric mobility up till now.

A couple of important milestones came up this year where we crossed cumulative installation of 1 gigawatt hour in stationary applications, largely driven by our market share in telecom. We continue our market leadership in this segment through the technology transition, and the first exports of lithium systems in this segment has also taken place.

We continue to maintain our strong position in the light electric mobility space with 2-wheelers, 3-wheelers, LCVs, expanding our reach with both packs and chargers. We are in touch with several passenger vehicle OEMs to support their launches. As these programs generally have much longer lead times, we're unable to announce anything at this time, but progress is promising.

A major change in our strategy is the introduction of ESS as a larger part of our mix. Earlier, we largely focused on EV, and we expected that the larger part of even the short-term growth has come in EVs. While EV momentum remains steady and in the long term, we do still believe it will present a larger opportunity.

The fact that ESS has accelerated, and this can be evidenced by rapid movement in us in this space, especially driven by the renewable drive in India. And as a result, we've launched an accelerated project to construct an integration facility, ESS integration facility in Divitipally. We're aiming to start production at the end of this calendar year with an initial capacity of 5 gigawatt hour in a facility with the ultimate capacity of 10 gigawatt hour.

Coming to progress on cell manufacturing, there are 3 facilities that we've been communicating with all of you for the past few years, E Positive Energy Labs, our R&D center is undergoing the final commissioning phase. Our teams are starting to move into the facility over the next month in a phased manner.

Earlier, we were doing our R&D activities in a scattered manner in a fairly limited manner, limited by the type of facility and equipment that we have. With the consolidation of our teams

and substantially upgraded equipment, we expect our R&D backlog to accelerate greatly from here.

While cooperation continues to be of interest, and we continue to pursue partnerships where available to cut short our time to the market, I can confidently say that in regards to technology, our efforts are mostly self-driven. And with the commencement of this lab and the facilities, I believe that we will be able to accelerate several programs from here.

The Customer Qualification Plant, as Delli mentioned, is in the final phase of commissioning. We are running the final trials to stabilize all processes and optimistic that our ability to start delivering commercial samples is going to start to our customers in the next couple of months. While we were manufacturing small batch of cells over the past few years at our facility in Tirupathi.

This year marks the first year that we're actually making cell manufacturing at a reasonable scale in India at Amara Raja and this is being done not only at a larger scale, but also mimicking mass manufacturing processes. The first 2 gigawatt hour line, Giga 1 is still on progress -- is in line to start production in June of 2027.

This will not be the first Giga factory in India. But since we consciously chose to build out our R&D and pilot production first, we are a little bit delayed compared to some of the other players. But our experience in commissioning the CQP has been invaluable, and I expect that the learnings from the CQP are going to help to smooth out the learning curve at Giga 1 and future mass manufacturing facilities. Back to Delli.

Y Delli Babu: Thank you, Vikram. We can now open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. Your first question comes from the line of Vibhav Zutshi with JPMorgan.

Vibhav Zutshi: Congratulations on the good revenue growth in challenging times. The first question is on the New Energy business. Now for this 2 gigawatt hour cell line, which will get commissioned next year, just wanted to understand where are we in terms of equipment procurement and other stuff? Is the equipment already ordered? Or are we going to do it now in FY '27 and the reason to ask is this because 1 or 2 large players who are trying to get into cell manufacturing have been facing challenges in getting a partner or an equipment procurement. So just wanted to understand where are we in that process?

V. Gourineni: Sure. This is Vikram here. Thanks for the question. I want to share that the equipment has been ordered. The bigger challenge that we've been facing is not so much that we don't have access to equipment, but we have a little bit of limitations in terms of getting the engineers from China to come and help to actually commission the equipment. This being our first time, we have less experience. We depend a little bit more on the equipment vendor.

While still the numbers of visas being issued is less than we would like, I think our experience at CQP has been that we have been able to issue a couple of visas. There are engineers on ground

here for the past couple of months helping us to commission. The initial kind of base part of technology was largely acquired through technology cooperation.

But our own teams have been able to take quite a bit of hold on this program. This is the cylindrical 2170 program, as we've shared in the past, and we're quite confident in our team's ability to handle this technology smoothly and the ability for the equipment vendors also to support it.

Vibhav Zutshi: Okay. Got it. That's very helpful. Second question is on the Gotion partnership that we had announced almost a couple of years back and now the LFP plant, which is supposed to come potentially in 2029. So just wanted to understand how is that partnership progressing? What are the next steps here in terms of technology licensing, potential conversations with customers because we've not heard much about Gotion. So yes, I just wanted to get some thoughts?

V. Gourineni: Yes. So I think we made a large announcement about licensing technology from Gotion just about 2 years back. Since that time, I think all of you would have also been seeing in the news that sharing of technology, licensing technology is something that's been largely discouraged by the Chinese government.

This is hitting all players and their technical tie-ups pretty equally. At the moment, we also have our own challenges in terms of working directly in the sort of technology licensing or any sort of direct tie-ups with Chinese. That's where I think what I said earlier is important that whatever cooperation we had earlier, we were able to take what we can. But largely going forward, whether it's NMC, LFP, future chemistries, the efforts of the product development is largely driven by teams in India.

Vibhav Zutshi: Okay. Got it. And maybe one last question, if I can squeeze in. Just on this BESS plant, I think 5 gigawatt hour that you mentioned, any sense on how the margins are going to be once it's fully stabilized?

Y Delli Babu: See, the BESS plant initially is going to be developing the containerized solutions, both at the grid level as well as at the C&I level. So it might mimic a bit better than what current pack business is doing. The operating margins could be around, let's say, 6% to 7% to start with. But we feel as the opportunity progresses, while we are starting with the 5 gigawatt initial capacity, I'm sure it can be expanded further. And as the scale improves, I feel there is an upside possible on these margins. But more than that, this will act as a strategic lever for us to look at what kind of cells to manufacture when it comes to energy storage. I request Vikram to add any other strategic perspective on this.

V. Gourineni: Yes. I think in addition to what Delli mentioned, in addition to the container integration, pack assembly, we do have plans to get into cells for ESS. This is something that we've been actively working on. While the overall target of 16 to 20 gigawatt hour Divitipally remains unchanged. I think the mix in the short term is definitely leaning more towards stationary storage.

This is a technology that's well established. Our teams are confident that with access to supply chains and equipment in China, we don't need an external partner to support us to develop the

cell. And we've been undertaking this effort, and this is going to be another capacity that we'll be adding over the next 2 years.

Moderator: The next question comes from Raghunandhan NL with Nuvama Research.

Raghunandhan NL: For the Lead Acid Battery business, you mentioned about the growth for a few of the categories. Can you also share how much was the growth for 2-wheeler OEM, UPS, Telecom and 4-wheeler Export segments in Q4? And also, if you can share your thoughts on outlook for FY '27 in Replacement and Industrial segments, that will be helpful?

Y Delli Babu: Yes, Raghu, as I mentioned, both the OEMs, both in the 4-wheeler and 2-wheeler have grown more than 30% during the current quarter. And aftermarket was growing somewhere around 5% to 6% during the current quarter being both 4-wheeler and 2-wheeler, given 1% here and there. Telecom, obviously, there is a degrowth.

And as I mentioned earlier, all other segments are growing at about 3% to 4% kind of a number as far as the industrial numbers are concerned. And I've also mentioned about the growth rates of tubular batteries being more than 30%. Now as far as how the industry looking like for the next year, Harsha has alluded in his opening remarks that it could be in the mid- to high single digits. I'll let Harsha to add a couple of points on how the growth trajectory could be for the coming periods.

H. Gourineni: Along those lines, we'll continue to see that mid to high single-digit growth, which is one, of course, growing a bit better than the market, also further segmenting ourselves, for example, our renewed focus on home energy will sustain, and we're looking to, of course, develop new products and put them into market.

We're casting our net quite a bit wider in terms of international, which will help us become more resilient in these geopolitically tense times. And beyond that, the market as it moves further and further into this mature stage, we'll be focusing more on also quality of business, the new types of solutions to balance both revenue and profitable growth.

On the industrial side, I had mentioned earlier that we'll be leveraging our relationships with the customers in the commercial industrial space to be pushing energy storage solutions. So with this, we'll continue to still grow at this high single-digit growth. And I think that's about what we can advise on FY '27.

Raghunandhan NL: Very helpful. My second question was you referred to the raw material input cost inflation. If you can broadly indicate within the raw material, how would be the mix between lead, plastic, sulfur, some of the major commodities, which we have to keep in mind. Lead could be about 65%, 70% of your RM basket. How much will be others? And how much is the current under recoveries? And how much price hike should we expect going forward? How much price hike should we expect going forward?

Y Delli Babu: So as you know, Raghu, about 70% of the material is between lead and alloys and naturally alloys like tin, antimony, all these are showing increasing trends, while we are seeing some

softening on some of the alloys, but there is still price increase, particularly the dollar depreciation is also hurting us.

While the quantification is again dependent on a daily basis because how the volatile we are seeing in the forex markets. Then on the other materials, plastics account for almost 10% of our raw material cost. There, again, we are seeing almost 40% kind of price increase is possible if this kind of increasing momentum will continue.

Sulfur is definitely causing the acid prices to grow up. And with the fuel prices going up and obviously, the freight costs, both inbound as well as outbound freight costs will also increase. Considering various cost pressures that we are seeing, as I mentioned, last quarter, we did some price increase towards the fag end of the quarter.

And I mean, we may have to look at some price increases. While we have not taken anything in this current quarter, running quarter so far, we may have to look at it, but that will also depend on how our competition moves are. While I'll not be able to give you a very quantified number around this.

Considering there being an evolving scenario at this point of time, in my view, at least another 2% to 3% kind of a price increase is something that we should look for. And if this kind of a momentum continues, even that may not be sufficient to recover the entire cost pressure that we are having currently. This picture will -- I think, will get better in the next 1 month, and then we'll have a clear understanding as to how much should be the cost pressure that we will face.

Raghunandhan NL: Well noted, sir. That is very helpful. Just lastly, you mentioned about the benefits of captive recycling. If you can indicate how much was the benefit taken in the quarter? And how much more benefits can we expect going forward? And how much more benefits can we expect going forward?

Y Delli Babu: Yes. Last quarter, we have seen about 0.5% benefit coming from the recycling plant because predominantly, it was a refining operation that we are currently operating in. We are expecting our battery breaking operation to stabilize in the coming quarter. So once that is done, then maybe -- and also currently, if you look at the current RML prices, that is the remelted lead prices in India also have gone up substantially.

So that is definitely creating a cost pressure again on the remelted lead side as well. So we need to see how these input cost prices will play out in the coming quarters, and that should actually give us a fair understanding as to how it moves. But from an operations point of view, yes, there is a 0.5% accretion because of the recycling operation. We hope that will sustain in the coming quarters, but for the increased RML prices that we are experiencing today.

Moderator: Your next question comes from the line of Ganeshram with Unifi Capital.

Ganeshram: The first question I have is on the New Energy business, actually both on the New Energy business. We have about 2 gigawatt hours coming in and -- with an eventual plan to scale it up to 16 gigawatt hours. And when I look at what the industry says, there are announcements, if I

tally up about 290 gigawatt hours versus the demand of what might be half of that. So what I'm trying to understand is who is the incremental buyer when we scale up from 2 to 16 gigawatt hours? And is there any binding offtake that we have on this capacity that we are putting up? What's the visibility we have?

V. Gourineni: I'll take this question, this is Vikram again. On the 2 gigawatt hour also, I think we hear about like large offtake deals abroad, especially Europe, U.S. I think we generally don't see that as much in India, especially with more standard type of cells. So the 2170 capacity we're building out is very much based on our own market assessment and the fact -- the belief that this is a cell that will continue to remain highly relevant for the 2-wheeler segment in India.

So when we looked at all of the voice of customer received from the various customers, there are other cells that are slowly entering their mix, but we believe 2170 continues to be a highly relevant cell. When we build out to about 16 gigawatt hour, I think we haven't mapped exactly how we want to do this. Earlier, it was largely based on EVs.

I think if it comes to EV programs with OEMs, while it's not a firm offtake, we do build in a little bit of safeguards, something more akin to kind of a take-or-pay kind of agreement where we, at least to some extent, protect our downside. When we're going a little bit more in an accelerated manner towards ESS, I would say that we have to see our own ESS system as the offtaker in this case.

So when we're building a 5 gigawatt hour ESS plant, up to that capacity, whatever we're making ESS cell, we are the end user as such. So I think we have more belief that our ability to sell the systems. So some sort of mix between 4-wheeler OEMs and our own ESS capacity is how we'll bridge the 16 gigawatt hour.

Ganeshram: That's very helpful. And as a follow-up, if may I ask, I've seen some of the local -- in the local energy storage system -- ecosystem, I really see any cells that are being manufactured domestically now. So what I was trying to understand is when you scale up, what do you expect would be your cell cost per kilowatt hour versus what's in the market for imported cells today?

And in the INR9,500 crores-odd capex that you have planned, what is the ROCE you've underwritten? And I'm asking this question because most buyers seem to be optimizing heavily for cost. So what I want to understand is how we are going to be able to convince these customers to buy our output in simple terms and what that would mean for our financials and margins?

V. Gourineni: So I think you're very correct. We do live in a highly cost-sensitive market, and that's where we're trying to operate. There's a couple of different bets that we're taking. I think, we're not going to be cost competitive with a product that's imported from China. I think the best of our ability, whatever we're able to bridge.

I think it's like China plus 15% to 20% is the minimum that we can bridge immediately because we don't have local material and a couple of other things that is advantageous to China in terms of scale, but we are betting, and this is indications coming from the government is also that just a similar manner how they've done with solar equipment.

A couple of other areas that localization may start getting mandated in phases in the energy storage, especially at the utility scale, where the government is directly the buyer. So I think that will definitely help us a bit to kind of bridge some gap. In addition to that, I think slowly, we're working to see how many of these upstream vendors can get localized in India. Today, I wouldn't say that we're off to a great start. So bridging that gap over the next 5 or so years is something we're aiming at. And Delli if you want to talk at all about the numbers and the returns?

Y Delli Babu: Yes. So from a pure return point of view, as Vikram was explaining, today, if I compare the import price as it is, naturally, at our scale, we will have a cost disadvantage, which is what we believe will get bridged over a period of time as we improve the scale and also some protection from the government coming in.

But if we can look at that kind of cost disadvantage getting factored, if we can achieve a scale of about 8 to 10 gigawatt hour, we see that there is a possibility of an EBITDA margin in the range of 10% to 11%. And with the capex costs also coming in because when we started the journey, we looked at somewhere around $55 million to $60 million per gigawatt hour of capex which today.

I'm sure has come down almost by 20% to 25% already. So with that, when we achieve a scale of 8 to 10 gigawatt hour, I think our ROCE numbers will be better. It would be difficult for me to put a number immediately. But based on our business case, whatever we have worked out, it is going to be a low double-digit number.

But if capex reduction trajectory were to continue for some more time like this, I think we can better that number provided we are able to ramp up the plants in the right time with a minimal process loss and are also able to gain some pricing advantage over the procurement and we reach that kind of scale. So there are still some moving parts, but the opportunity size is bigger, and I'm sure we will unearth cost advantages and value creation over a period of time, which should give us a bigger opportunity to pursue and improve the overall returns.

Ganeshram: If I may just ask one follow-up on this. And just from the buyer's point of view, what I'm seeing in solar, for example, is in June, there will be a deadline that says you have to buy cells manufactured domestically, which pushes up costs for the customer by about 30%. Now given how nascent EVs are for us, maybe on the 4-wheeler side, especially and even in BESS adoption, if we do implement some kind of policy measure that might increase the solutions cost in itself, could that possibly slow down adoption and have a counterbalancing effect?

V. Gourineni: I think it's possible, right? But if we look at this -- the notification you mentioned, this is actually Phase 2 of ALMM, right? So already after Phase 1, costs have increased, but it hasn't really slowed down the Indian renewable trajectory. I think these are -- when the entire industry eats the cost uniformly, the increase in cost is baked in and the industry moves accordingly. So I do believe there is some risk that maybe EV or renewables can slow down moderately. But at the end of the day, when this is being uniformly felt by the entire industry, I don't think that this is going to be enough to completely destabilize the growth.

Moderator: Next question comes from the line of Kapil Singh with Nomura.

Kapil Singh: Sir, my question was just on your margin expectations. Historically, we have mentioned 13% to 14% margins. In the current context, how do you look at the margins as we move along because there is inflation as well, which is there. So I'm not talking of short term, but just your more 2- to 3-year kind of outlook on margins.

Related to that, I also wanted to understand when we look at slightly longer-term picture, more over the next 10 years, is there a case here that our lead acid facilities become underutilized as the EV penetration rises. And we are seeing that happening in India as well as globally also. So both for your facilities as well as for your network, if you have any thoughts on how to handle this transition?

Y Delli Babu: Yes. I'll just comment on the margin side of it, and then I'll let Harsha talk about the long-term horizon, what's in store for lead acid while -- see, as far as margins are concerned, clearly, at this elevated levels of 210,000, 220,000 kind of a number on the lead, we definitely have that denominator impact.

But as I mentioned in the earlier calls also that we would -- we are still hopeful to reach a 13% to 14% kind of an EBITDA margin even at a 2 lakh kind of a lead base predominantly on account of the initiatives that were alluded to earlier because even today from the existing plants, we are able to realize more throughput.

So that should give me leverage on the fixed cost side. And also many of these inflation effects will get passed on to the customer, though with a lag. So I feel still 13% margin trajectory is something that is still on the horizon. But obviously, in the current times of high volatility around every aspect that we touch, it's difficult for me to say what's the time horizon within which that I can reach there.

But as I mentioned earlier, clearly, that is the kind of margin targets that we are working internally to reach there. While we have to make certain strategic investments into some of these initiatives in terms of expanding markets, and also improving throughput, et cetera. Barring that, I think on a stand-alone basis, we should still aim for that kind of a margin. As far as the long-term Lead Acid Battery business, I'll let Harsha to add his comments on how we see this going up.

H. Gourineni: To elaborate on that, I think first, we do see a long runway with lead acid battery product, but we're not linking anything to a vision because we're quite flexible in our approach. We continue to unlock capacity within the same footprint between the same 4 walls and meeting our growth ambitions. We will continue to do this. We also see a future where multiple vehicle platforms and technologies will coexist. For example, we're sitting at a time where we're seeing tremendous growth in OE, and we know that this is largely coming from ICE platforms.

We're seeing different levels of hybridization. Of course, battery electric vehicles are also growing now from a small base but growing aggressively. We'll have solutions across all these

segments and categories. We're building capabilities, of course, on the new energy side to address this. We're building capabilities on the application side to address this.

We're being careful in how we're calibrating and investing our capex or not investing in this case to a significant degree. Beyond that, we will continue to sweat and leverage our strategic assets, whether it's brand, channel, Obviously spoke on our capacities and technologies. This will allow us to maintain our growth rate. This allows us to stay close to the customers and delight them. And ultimately, in uncertain times, what's certain is our ability to adapt to them and have the right capabilities in place.

Y Delli Babu: Yes. On the plant redundancy point that you raised, actually, I mean, if you look at it, even today, though telecom demand is coming down, still that plant is operating at about 30 million Ah, 40 million Ah kind of a capacity. And we don't foresee an immediate problem with respect to our tubular batteries.

As Harsha mentioned, the home application might offer more runway with the solar systems, et cetera, coming in. The tubular batteries will continue to be on demand. This year, we have seen a very strong demand around it. So that way, on 4-wheeler and 2-wheeler side, even if the incremental growth in EVs are stronger, eventually, the ICE engine vehicles are not going to get removed entirely.

So naturally, there will be a space for lead acid batteries to operate. And even there is an auxiliary batteries, like Harsha mentioned earlier, auxiliary batteries is also a product area that will continue to have demand. So we are not too much worried at all at this point of time about redundancy of the capacity.

H. Gourineni: I think one picture we can keep in mind is if we ever approach a peak OE production of ICE vehicles, which we have, we have to remember that there's a tapering and there's a huge car parc available for replacement. And I don't think -- it's clear we haven't approached that stage yet. So I think there's good growth ahead of us, challenging times, but those challenges bring good opportunities.

V. Gourineni: Yes. If I can just add something also. I think Harsha and Delli's points, I completely agree with. Harsha mentioned the growth of ICE even today, the OE growth is there in India. I think if we look at the fact that with recent conflicts, especially with what the PM has said, we need to reduce imports, reduce fuel imports.

At the same time, we can't necessarily leapfrog into EV the way that some think tanks are expecting us to because we can't replace the import of oil with import of other raw materials. So I think at a time where we're trying to get the EV ecosystem built out and first cell manufacturing plants are just getting off the ground in India, we don't have upstream material and lithium that's yet localized in India.

That also takes more time. So I think we believe at Amara Raja that this is the time where hybrids have to be accelerated in India, and we have the right solutions for both -- all levels of

hybridization in vehicles. But the thought that we can completely leapfrog from ICE to EV is not something that's making so much sense for India right now. Hybrid definitely is required.

Kapil Singh: Second question was on the BESS business. What is kind of you think core competence or key success factors that we should expect in this business because there are many players who have been announcing that they will get into BESS. So how should we sort of try to assess the competitive landscape? And how are you looking at it?

V. Gourineni: I think like you said, the announcements are many, but especially as you get into the utility scale solution, BESS, a single 5-megawatt hour container is almost $0.25 million of equipment. So I think this is not something that is going to be easily catered to without the right quality manufacturing processes and rigorous, it's not something that can be done by just any smaller player.

I think also the fact that Amara Raja is in a position to do a lot more localization, domestic value addition. And I'm not only talking about cell parts, but even non-cell components is something that many other players are not going to be doing as much. So with policies coming in to mandate more and more domestic value additions, I think a group like Amara Raja is definitely in a better position to handle this business.

Moderator: Our next question comes from the line of Jinesh Gandhi with Oaklane Capital.

Jinesh Gandhi: My question pertains to clarification on the Gotion tech tie-up. So have we received approvals from both the governments?

V. Gourineni: I'm sorry, I didn't catch that question. Can you repeat it?

Jinesh Gandhi: My question was on the Gotion tech tie-up. So have we got approvals from both the governments, India as well as China?

V. Gourineni: No, the deal earlier announced with Gotion is simply a corporate-to-corporate tie-up. We never sought any government approval on either side. It's a completely private deal. But as we are informed, there is a little bit of difficulty in terms of technology transfers coming from China. So largely efforts for R&D and product development in Amara Raja are driven internally. And to the best of my knowledge, a lot of these deals are coming under scrutiny.

Jinesh Gandhi: Right, right. No, that's the reason I asked that question. So in that context, our LFP plants will be now based on our own technology. And in that context, by when should we expect LFP plant also to come on stream?

V. Gourineni: I think, like I said, the first capacity next year will be NMC. LFP, we have a couple of products in the pipeline that we're developing. And as we get a little bit more confidence about the customer program on the EV side, we'll be able to announce that in due course, but probably sometime 2028 and later.

Jinesh Gandhi: I am sorry, I missed that part, last part. Can you please repeat that?

V. Gourineni: I think we'll give you a more firm date for probably 2028 and later.

Moderator: Your next follow-up question comes from the line of Ganeshram with Unifi Capital.

Ganeshram: What I wanted to understand was on the localization itself. Is this just an expectation on the BESS side? Or do you also think this will be extended to EVs? And in that context, you had mentioned that you expect the shift to move more towards BESS in the 16 gigawatt hours. So what were you expecting earlier? And what do you think it will now be, the BESS component of the 16?

V. Gourineni: I think we're still building out, at least at a market level. Earlier, our projections are more about like 80% coming from EV long term, 20% from ESS. I think long term, while EV will still be the larger component, today, we believe it's going to look something more like 2/3, 1/3, maybe even depending on how successfully ESS continues to roll out, it can even be higher. In terms of our capacity, we're still mapping out right now. So I don't have an exact answer, but we remain committed to adding the 16 gigawatt hour in full in Telangana.

Ganeshram: Understood. And do you also expect some localization norms to be imposed for electric vehicles going forward when it comes to cells and batteries and the landscape seems to have changed a bit in the sense that a lot of our traditional customers seem to be assembling some of their own packs now and some of them even are venturing into manufacturing their own cells. So how does that play into your utilization equation and customer conversations?

V. Gourineni: So I think the way -- earlier, I alluded to the way that the solar industry was incentivized. I think that works better in an area where government procurement drives the industry. So on the stationary side, that's something that we've heard talk of in the corridors of the government, and we expect.

On the EV side, probably you can't add something in the exact same mechanism, but we do expect that -- and we've already seen that battery packs are incurring a higher duty than they were a couple of years ago that as and when capacity comes up in India, probably we'll see more from a direct duty increase on all the components that come along with it.

Ganeshram: Right. And the portion on customers adding their own capacity for battery packs and some of them for cells, how does that play into your expected utilization or conversations with the customers in terms of offtake from your production?

V. Gourineni: I think that's not our biggest concern. Today, definitely, there are large OEMs like Tata or Ola Electric that are doing their own cells. But I think by and large, most of the OEMs that we are in touch with don't have plans to localize cells. So they're in talks with players like us to get into the cell localization. I think the bulk of the cell market will still remain open. Of course, pack is something that we're seeing evolving. Many OEMs are doing it in-house, but there are still opportunities that we're seeing where they're asking us for cell and pack.

Moderator: Ladies and gentlemen, we will take that as our last question for today. I now hand the conference over to the management for closing comments.

Y Delli Babu: Thank you, everyone. See you until next time. Thanks for your questions. All the best. Thank you.

V. Gourineni: Thanks, everyone.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines.