EXIDE

Ref no.: EIL/SEC/2024-25/65

18th November 2024

The Secretary **The Calcutta Stock Exchange Limited** 7 Lyons Range Kolkata - 700 001 **CSE Scrip Code: 15060 & 10015060**	The Secretary **BSE Limited** Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 **BSE Scrip Code: 500086**
The Secretary **National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot no. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 **NSE Symbol: EXIDEIND**	-

Sub: Transcript of the Earnings Call of Q2 FY 2024-25

Dear Sir/Madam,

This is further to our letter ref no. EIL/SEC/2024-25/61 dated 4th November 2024 wherein the Company had intimated that it will host an Earnings call on 11th November 2024 for the Q2 FY 2024-25 business update.

Pursuant to the Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the transcript of the said earnings call, for your information and records.

The transcript of the earnings call is also available on the Company's website at https://www.exideindustries.com/investors/earnings-call.aspx.

We request you to kindly take the same on record.

Thanking you.

Yours faithfully,
For Exide Industries Limited

JITENDRA KUMAR MOHAN LAL
Digitally signed by JITENDRA KUMAR MOHAN LAL
Date: 2024.11.18 10:49:06 +05'30'

Jitendra Kumar
Company Secretary and
President– Legal & Corporate Affairs
ACS No. 11159

Encl: as above

"Exide Industries Limited

Q2 FY '25 Earnings Conference Call"

November 11, 2024

MANAGEMENT: **MR. AVIK ROY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – EXIDE INDUSTRIES LIMITED**
MR. ASISH MUKHERJEE – DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER – EXIDE INDUSTRIES LIMITED
MR. MANDAR DEO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – EXIDE ENERGY SOLUTIONS LIMITED
MR. JITENDRA KUMAR – PRESIDENT AND COMPANY SECRETARY – EXIDE INDUSTRIES LIMITED
MS. CHHAVI AGARWAL – HEAD INVESTOR RELATIONS – EXIDE INDUSTRIES LIMITED

MODERATOR: **MR. ADITYA JHAWAR – INVESTEC CAPITAL**

Moderator: Ladies and gentlemen, a very good afternoon, and welcome to the Q2FY'25 Earnings Conference Call of Exide Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Jhawar from Investec Capital. Thank you, and over to you, sir.

Aditya Jhawar: Yes. Thank you. Good afternoon to you all. From Exide Industries, we have with us MD and CEO, Mr. Avik Roy; Director of Finance and CFO, Mr. Asish Mukherjee; President and Company Secretary, Mr. Jitendra Kumar; MD and CEO of Exide Energy, Mr. Mandar Deo; and Head Investor Relations, Ms. Chhavi Agarwal.

Before we proceed, there is a disclaimer for the call. A few statements from the company management on the call may be forward-looking in nature and we request you to refer to disclaimer in the earnings presentation for further details. We will start the call with a brief opening remark from the management followed by Q&A session. I would now like to hand over the call to Mr. Avik Roy for opening remarks. Thank you, and over to you sir.

Avik Roy: Thank you, Aditya. Good afternoon, ladies and gentlemen, and a warm welcome to you all to the Exide earnings call. In the beginning, I will talk about the industry dynamics and later I will take you through our operational and financial highlights for the quarter as well as half year.

In terms of the industry demand scenario for the businesses that we operate in, it was actually a mixed bag. While the automotive replacement demand was strong for both 4-wheeler and 2-wheeler, the demand from auto OEMs was quite modest in quarter 2. On the Reserve Power segment, both industrial UPS and solar trade markets are seeing steady increase in business. Home UPS market was soft, because of early arrival of rains in many parts of the country, and the overall heavy rains during the quarter.

Private and public sector capex continues to keep order booking healthy in industrial infrastructure sectors- such as Power, Railways, Traction, etc. However, as you know, the Telecom sector have seen tepid demand due to a very high base effect, because last year they had rolled out all those 5G towers, and that rollout is almost complete this year. And also, there is a shift of technology from lead-acid batteries to lithium-ion batteries. Export demand was robust, both in existing as well as new countries.

Given this industry landscape during the quarter, nearly two-thirds of the business, including automotive aftermarket, industrial UPS, solar, industrial infrastructure, they have all grown by strong double-digit numbers. However, the remaining one-third of the business, which comprises of Home UPS, automotive OEMs, Telecom, they have seen a sharp decline as for the reasons I've stated before. As a result, overall sales have grown at a modest rate of 4% in the quarter 2 and 5% in H1.

If we look at margin, our gross profit margin in the current quarter increased both on year-on-year as well as on quarter-on-quarter basis. Driven by favourable product mix, the OEM businesses and Telecom businesses, which are low-margin business are going down, and therefore, the replacement share was going up. That has resulted in an improvement of gross margin, as well as there was a movement in the material lead prices also in quarter 2 over quarter 1. EBITDA was 11.3% during the quarter vs. 11.8% in the same period last year, largely due to the lower absorption of fixed overheads, because our top line growth in many of the segments was very low. However, for the first half year, we delivered a steady performance with EBITDA margin of 11.4% compared to 11.2% in the previous year for the same time period.

At Exide, we have recently undertaken an organisation realignment with a focus on strengthening and consolidating the go-to-market strategy in both B2C and B2B markets. I'm happy to inform you, this resulted in some top leadership hiring who are being onboarded now. Some announcements we have already made and some more announcements we will make shortly. This high-quality leadership talent will drive the growth agenda in the next years.

Moving on to lithium and cell manufacturing project, which is under our subsidiary, Exide Energy Solutions Limited. The construction works, including the main cell building, admin building, warehouse and other support buildings are closer to completion. Equipment placement and installation work in our lithium-ion factory are ongoing at site. We have also started relocation of teams to site offices to support product activities. In the current fiscal year, Exide has already invested equity of INR550 crores till October. With this, the total equity investment by Exide todate is INR2,852 crores.

Going forward, the outlook for the lead-acid business remains positive in the near to medium term. We are a diversified player catering to multiple sectors, both in automotive, aftermarket and automotive OEM, industrial infrastructure, Telecom, Railways as well as exports. This gives us a lot of resilience across sectors, and we can also capitalize on the large opportunities that these sectors deliver. With this, I close my opening remarks. I'll be happy now to take your questions, please. Over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Vibhav Zutshi from JPMorgan.

Vibhav Zutshi: First question is on the core business, given that you've seen some moderation in the first half and there are a few segments in muted volumes. How should we think about the second half? I mean you talked about outlook is positive near to medium term. But given that the base of last year is also high, can we expect to go back to double-digit growth? Or it could be a bit lumpy atleast in the near term? And if you could give a broad level outlook for individual segments, that will be helpful.

Avik Roy: So thank you, Vibhav, for your question. Let me give you a little more colour on our segment level growth, that will actually give you some details of our performance. See, in the first half year, our strongest growth segments have been automotive aftermarket, particularly 4-wheeler aftermarket, and the same in quarter 2 as well.

Solar was very good. It was very strong, almost close to 25% to 30% growth. Industrial UPS trade was almost 14%, close to 14% to 15% growth. The infrastructure space other than Telecom was also double-digit. Exports were also double-digit. So that's why I said almost two-third of our business, they grew by about 14% to 15%. The balance one-third, which comes from basically Telecom, inverter battery as well as auto OEM, that was on the decline.

Now there was a reason for each one of them, which is different from each other. Auto OEM, you have read, it's in public domain because of the increased channel inventories, there was a cut-down of production by almost all OEMs in quarter 2. The channel inventories went up to 70- 75 days. But the positive side is, in October during the festive month, there was an extremely good auto sales, both 4-Wheeler and 2-wheeler. One of the best sales they have reported, which means the inventory levels have come down to 30-35 days, which is normal for the industry. And the association body they have also predicted that for the full year, the automotive industry will grow by about 5%. Now just consider that the first half was 0%, and if the full year is 5%, obviously, the H2 growth will be far stronger than the first half. So, the declining segment of auto OEM is bound to come back in the second half, because of this industry will also pick up.

Now coming to Telecom. I mentioned that Telecom had a high base effect because of the 5G rollout last year. Slowly, the pace is getting corrected, and more or less, 5G rollout was over by last year's Q3. So going forward, we don't see this kind of a decline year-on-year on Telecom. On top of that, we have also started supplying our lithium-ion battery-packs to the telecom tower operators. Though it is done through Exide Energy, but we also have quite a substantial market share on the lithium-ion side also. So even if there is a shift of technology from lead to lithium, we will still encash the opportunity through our subsidiary.

Now coming to inverter. There was early onset of monsoon in Q2, we suffered, but we have a very strong strategy in place. Now we have additionally augmented our go-to-market and finding out new channel networks. Quarter 3 will be not so positive, because this is not the season for inverter batteries. But from Q4 onwards, from January onwards, we can again see a rebound. And with our enhanced network presence, we'll be able to encash on the opportunities. So, in short, the businesses which declined in the first half year, are going to rebound, that is our expectation in the rest of the year.

And in the other businesses, where we are already growing double-digit, we are very strong. And we don't see any kind of demand going down in the next half, particularly in the aftermarket and in the industrial infra. Just one additional comment on the industrial infra. If you look at the macros of quarter 2, the lagging indicators are disappointing. Most of the economic indicators of quarter 2 were not good. But we still posted a double-digit growth because of our order backlog.

Going forward, I just came across the October results, if I see the leading indicators of October, the manufacturing Purchase Managers Index, it's showing an increase to 57.5 or something. So I believe, the order inflow from infrastructure will increase, with increased economic activity in the country. So that's in short to answer your question, Vibhav.

Vibhav Zutshi: Second question is on the lithium-ion business. So given that we are now a few months from completion of the plant, given that 2025 is the target year guided for. Atleast give some idea on how many customers have been on-boarded so far, because it looks like you're now focusing on-boarding the larger customers as well. I understand that you have the NDA, but atleast some broad numbers, and which segments are they?

Avik Roy: Yes. Vibhav, as I have also told in the past quarters, that we will have some limitation giving out too much of details on the customers, because the NDAs and all. But still, I will also hand over to Mandar Deo, who's the Managing Director and CEO for Exide Energy, to give you some insights.

Mandar Deo: Yes. Thank you, Avik. Thank you, Vibhav.

Mandar Deo: Okay. So, like Avik said, we have very significant portion of our customers covered through NDA, if not all. Therefore, we cannot go into the details right now. However, those customers that have put in the public forum, for example, Hyundai, we can talk about, but others we cannot say right now. However, the only thing that I will add is that we are seeing a lot of traction now in terms of volume offtake.

Vibhav Zutshi: Okay. That's great. And I'm assuming that the start of production will happen sometime in 2025 and then will take 6 to 8 months for stabilization, and basically, major ramp-up will happen from FY '27?

Avik Roy: Yes, Mandar. Some insights on the target date of completion?

Mandar Deo: Yes, certainly, happy to do that. So, like we have repeatedly said in the past also, our schedule remains unchanged, where we have said that in the middle of 2025, we will have our installation and commissioning as well as initial runoff completed. And then in the due course of certification and customer approval, we should be seeing SOP in 2025. So, no change in our originally published schedule.

Moderator: The next question is from the line of Siddhartha Bera, from Nomura.

Siddhartha Bera: Sir, my first question is on the battery pack business. So, would it be possible to share any order book number for the battery pack business which you have right now?

Avik Roy: For the lithium-ion, you mean, right?

Siddhartha Bera: Yes.

Avik Roy: Again, I'll request Mandar to take this question.

Mandar Deo: Yes. Thanks, Avik. So, on the battery pack business, due to several NDAs, we are not in a position to mention numbers. However, all I can say is that given the recent demand, we have seen good utilization and in fact, some capacity expansion because of the order book that you see. However, we are not able to say the numbers in the public domain yet.

Siddhartha Bera: Sir, the second question is on the lithium-ion cell business. Now as we are very close to commissioning within the next few months, how do you think the pricing will be done? Will it be on a cost-plus basis? Or it will be more on a landed cost parity basis? So, some thoughts there how we are looking at pricing in the lithium-ion cell business?

Avik Roy: Siddharth, our first objective is now to start the production and increase the utilization of the operations. We have committed capital. We have gone far ahead than many people in terms of progress of the project. The first one is, we'll start the production, we'll increase the utilization of the factory and everything else will fall in place.

We are not theoretically trying to forecast something right now because our whole focus is on starting the factory and developing the products, getting it homologated, getting the entire homologation process complete and start delivering. And of course, raw material prices are volatile, lithium prices, how it will look like after 6-7 months or 8 months, nobody can tell you. This is also a function of some kind of underutilization in China, people are dumping prices. So we do not know how sustained this will be. So therefore, we would refrain from a comment. For us, it is more of a hypothetical question because right now, the whole focus is on absolutely with zero error starting the factory, stabilizing it, and then increasing the utilization.

Siddhartha Bera: Sir, lastly, can you talk about the total investment, which you will be doing in the lithium-ion cell plant for this year and next year? And the Phase-1 of it is awarded by when the whole capacity will come on stream?

Avik Roy: So definitely, we'll answer that. I'll request Mr. Mukherjee, our CFO, to take that question for you.

Asish Mukherjee: Yes, please. So the Phase 1 investment will be around INR5,000 crores.

Siddhartha Bera: That will be complete by next year? Or do you think it will take longer?

Asish Mukherjee: [Inaudible 20:25]

Moderator: No, sir. Line is not good. Should I reconnect you, sir? We have connected the management line. Yes, sir go ahead.

Asish Mukherjee: Okay. So starting with your last question on the investment in the lithium-ion business- as I said, that Phase-1 investment will be around INR5,000 crores, and a large portion of that will be in this fiscal. There may be some spillover to the first quarter of the next financial year, but that's as what looks as of now.

Moderator: The next question is from the line of Raghunandhan from Nuvama Research.

Raghunandhan: Sir, firstly, on the lithium business. In terms of cell chemistry, how are you planning your mix of chemistry between LFP, NMC within the Phase-1 of 6-gigawatt hour? And if you can talk a little bit about how easy or difficult it is to shift capacity from one chemistry to another, the fungibility part. And within lithium, given that you're investing INR5,000 crores in Phase I, another INR2,000 crores in Phase 2, your thoughts of getting private equity or some funding for the lithium business, considering the large funding requirements?

Avik Roy: So Raghu, for the first part, regarding the cell chemistry and fungibility of capacity, I'll request Mandar to take the question. And regarding funding, I'll again come back to Mr. Mukherjee, our CFO, to respond.

Raghunandhan: Yes, sir.

Avik Roy: Over to Mandar.

Mandar Deo: Yes. Thank, Avik. So in terms of the chemistries that we have chosen, as we have earlier announced, after having a comprehensive analysis of the market for India, we have chosen LFP and NMC. There is no change in the plan and we see that our approach of having a solid experienced technology partner in helping with both the chemistries, is actually resulting in a good confidence of delivering both the chemistries on time.

As far as the fungibility of the capacity is concerned, we would refrain from answering that in the public forum. Given it's 2 things, One is we are under NDA with several suppliers and technology partners. And two, there are different approaches industries can take around this. Therefore, we can't answer that in a public forum. But in terms of LFP and NMC, both the capacities will go online at the stated times earlier.

Avik Roy: So regarding the funding, Mr. Mukherjee will give you.

Asish Mukherjee: So as I said earlier, the Phase-1 investment will be expected to be around INR5,000 crores and we are quite confident of managing this investment. The large portion of that will come through the equity infusion. The balance, we will have to take some bridge loan because we cannot match the outflow immediately. So in due course of time, we are also quite confident to repay the bridge loan in the future.

Raghunandhan: Maybe at the future stage, once the capacity has been at a more matured level with the higher utilization, would that be the time when you might think about monetizing or getting in some kind of investment partner or the strategic partner?

Asish Mukherjee: As I said that we are quite confident enough of managing this investment and we do not anticipate any such equity partnership as of now.

Raghunandhan: Understood, sir. Very clear. Sir, on the lead acid batteries, exports you've been seeing a strong growth. If you can elaborate a little on the drivers of growth, the segments, and the main regions where you're seeing a good traction.

Avik Roy: So I'll take this question, Raghu. See, one of the major reasons why our export is showing a very strong growth because historically, our vehicular exports, automotive exports were at a very low base. We never actually took it very seriously once upon a time. We were supplying, but it was not a part of our core strategy.

So since that was at a low base, therefore, the growth potential right now is very strong. We are also coming out with some new portfolios for new markets. We have diversified our portfolio beyond what we were supplying so far. Those portfolios are also premium category, and are also targeted at the developed world. And all the homologation and trials are in process, and that will be a major growth driver going forward in the short term, maybe in 1-2 quarters, which is incremental in nature.

We also have substantial industrial exports, which is going on well. There were some hiccups because of the geopolitical situation in Europe, because Europe is quite a big market for us. But we have to live with the geopolitical uncertainties. There are some economic downturn in countries like Germany and France. I'm sure, they predict that by end of winter, which means around springtime next year, those demands are also going to come back. So these are our export strategies, new products, new markets, not too much of a complicated thing. We have identified markets, and we have developed those products for those markets, and we are now homologating and carrying out the trials for them. Yes, that's our export strategy.

Raghunandhan: Just 1 last question to Mr. Mukherjee. Sir was there any one-off in other expenses because Q1, Q2, other expenses have grown at 17% and 11%, which is much higher than the revenue growth. Just trying to understand any one-offs there.

Asish Mukherjee: Just to answer your question, the other expenditure has gone up, but it is primarily as a percentage of revenue it has gone up, because of the lower top line growth of under absorption of the fixed cost. There is nothing in particular.

Moderator: The next question is from the line of Sonal Gupta from HSBC Mutual Fund.

Sonal Gupta: So just wanted to understand on the same point of other expenses. I mean like in absolute terms also it's up INR30 crores quarter-on-quarter and year-on-year, it's up almost INR55-56 crores. So could you just explain a little bit more on what's happening here?

Asish Mukherjee: As I said that other expenditure, there is nothing, in particular, few elements have gone up. There is some increase primarily because of the normal inflationary factor and certain expenses have gone up. But as a percentage, it is higher compared to the previous year, primarily because lower top line growth as a result of which, it has caused a lower absorption of fixed cost.

Sonal Gupta: And. Overall, in terms of the profitability, I think one of the objectives has been to improve the profitability of this lead-acid business. So what do think are the main drivers for that? And how long will it take for you to get that?

Asish Mukherjee: If you look at the profitability, this quarter we are at 11.3%. We do not give any guidance on the margin in future. But just to give you a feel, that our immediate objective is to get around 13%. And at a longer horizon, we'll look at around 14%.

Sonal Gupta: Sure, sir. So no, what I was trying to understand is how do you get to that 13%? Like what would drive it? Are you looking at some cost-cutting program? Are you looking at some greater efficiencies coming because of certain process changes? I mean like you mentioned in your opening remarks, you're making more investments in personnel as well. So just trying to understand what will drive it.

Avik Roy: So just a couple of things here. First of all, I mentioned in the last call also that we had undertaken a comprehensive cost excellence project for over 2 years. And this was done in a very structured manner. That project is almost coming to an end. And the large part of the savings, which will be accrued are supposed to be in the back-end, a lot of changes on reductions for increasing efficiency, reduction of factory rejections and all those kind of things. So that is a major driver, and we should get benefit out of that.

Secondly, as you are seeing we are constantly working towards our mix. And going forward, the trade market or aftermarket looks very robust. And just to give you a feel. For example, motorcycle OEM business, the demand, last 3 years, it grew by10%. I'm talking about the OEM production figures. In the first 6 months, it grew by 16%. So these are all the things which gives us confidence of a huge rebound after 18 months on the replacement side.

So similarly, if you look at the top 3 automobile manufacturers, 4-wheelers, everybody has committed their capex for IC engines as well, on top of electric vehicles. The top manufacturer of the country, they have announced that they are increasing the capacity by almost 80%, 1.8x. Out of that, 60% will be IC engines, So which means about 25% will be clear capacity expansion in lead acid business, and this is the top manufacturers saying.

So there are the things which actually is encouraging us to debottleneck our capacities with our assets, and make some additional investments on the lead acid side to encash on the opportunity because the aftermarket will only go up as a ratio. So this is one, mix plays a role. Secondly, we are also focusing on some profitable exports, as I mentioned in the previous question, which will also improve our utilization as well as also give us penetration into high-margin markets with high-margin products. So there are multiple levers.

Cost excellence is just one part of it, but also mix and go-to-market plays a major role, and this gives us a feeling that we will be able to drive the margins up through better mix, better cost efficiencies and premium product.

Sonal Gupta: Sir, just last question. Have you taken any price hikes in Q1 for the lead prices or in Q2?

Avik Roy: See, there are 2 parts. One is the aftermarket. In aftermarket, in quarter 2, we have taken price hikes in 2 tranches. And cumulatively it will be about 1.5%. So on the OEM and industrial side, these are mostly pass-through. So these prices are indexed with the customers, through LME or HZL or any kind of standards. So, it goes up and down based on a particular formula. But for the trade market, yes, we have taken corrections.

Moderator: The next question is from the line of Pramod Amthe from Incred Equities.

Pramod Amthe: So the first question is with regard to, can you elaborate the reorganization effort which you have taken, which are the segments you are trying to revive, so that we can look forward to build the same?

Avik Roy: **W**e are realigning the B2C businesses of the company and the B2B businesses of the company together in 2 parts. And therefore, there are leadership hirings. We have hired some of the best talents to drive agenda in both B2C group and the B2B group, and there will be an international group, which is exports. So this is how we have reorganized. This will give us a lot of power in go-to-market.

Pramod Amthe: Sir, is it to revive the distribution or strengthen the distribution, how do these leaderships will help you? Because this is not on the product side, right?

Avik Roy: No, this is on the go-to-market side. This is to make sure that there is a clear strategy, so that the size of the wallet of the network doesn't get melted, because multiple guys going to the same person, and taking a share of wallet within the company. So it's a comprehensive strategy. I won't be able to give you more details than this. But basically, on the go-to-market side, we are strengthening the network.

Pramod Amthe: Okay. And when you expect this to start yielding results? Is it early part of FY '26?

Avik Roy: You'll shortly hear the announcements. Maybe within 2 weeks or within a month, you will hear the rest of the announcements. Some announcements we have made. But we are on-boarding the leadership. So, this will be all informed officially to the exchange.

Pramod Amthe: And when do you expect them to start yielding results, early part of FY '26 or later part?

Avik Roy: That's basically the expectation, that once they're on-boarded, 2-3 months or quarter 4 will, have some kind of seasonal push from the demand side. And by quarter 1, they will be fully on the job because this is also the time period when we plan for the next year. So, they will be part of that management team.

Pramod Amthe: Okay. And the second question is with regard to lithium-ion. I want to check, since you are almost entering the production stage middle of next year, when you expect the BIS approvals to come through, one. Second, at what stage your labs are, in terms of approving local component supplies or a chemical supplier, so that you can get into the next part of localization and the cost control?

Avik Roy: I have to pass this to Mandar once again.

Pramod Amthe: Sure.

Mandar Deo: Thank you, Avik. So in terms of the lab readiness question, either for localization or for other purposes, the labs are running in parallel to the giga factory. So like Avik mentioned in the opening statement, the buildings are completed, equipment is moving in, the lab progress is inline. So labs will be ready along with the giga factory.

Now as far as the BIS certification and not just BIS, other required customer certifications, we have a comprehensive timeline that aligns, because there are requirements of what the equipment state has to be, before we can apply for certification, and some customers most stringent, some customers equal to BIS.

So in terms of comprehensive plan, we plan to finish all of those, typically from the industry experience in the same manner, as you have seen globally. So our lithium-ion certifications will be in timeline, with what the global certification timelines are. But we don't see that we will take more time or less time. It will be in line with what global industry standards are.

Pramod Amthe: Sure. And in terms of vendor approvals for chemicals and all, any update?

Mandar Deo: Yes. So once again, we have a very robust approval mechanism for any supplier approval. So we have a partner that is helping us with that, before our labs come in. And once our labs come in, typically, those also take depending on what the component and the supplier capability is, those also take the variable amounts of time. Once again, we don't see any reason, why we should take a longer or shorter, than what typically a chemical supplier needs to get approved in a lithium-ion cell.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: You had mentioned that, your put an equity of close to INR2,800 crores in your joint venture and you also mentioned that, you would invest up to INR5,000 crores. Is it the same thing which you'd like to do in the Phase I?

Asish Kumar: This is the Phase I. In the Phase I, the expected investment is around INR5,000 crores.

Lakshminarayanan: And by when the Phase-I get commercialized?

Avik Roy: So this is just what Mr. Mandar Deo said, that commercialized will be in the middle of the next year, we'll fund the production, we'll take time to stabilize and complete homologation. So, in 2025, we should be able to commercialize it. And this is for the first Phase-1 6-gigawatt hour.

Lakshminarayanan: And what about Phase 2, what is the outlay that is planned?

Asish Kumar: So Phase-2, we'll take a call-in due course of time, depending on the market situation and demand scenario. And as of now, it is too early to comment on Phase-2. Of course, Phase 2 investment outlay is expected to be lower, because we are already investing in the common facilities as well as land, etc.. But we will decide in the due course of time.

Lakshminarayanan: And what kind of project IRR you actually expect at Phase-1?

Asish Kumar: I think situation is now a little volatile. Lithium prices are extremely volatile and also on the lower side. So I think it is too early to comment on that. Our first outlook is to complete the project, as well as go through the successful stabilization process, and then we can have a feel on this.

Lakshminarayanan: Sir, just one more question. Do you intend to take a part in the grid energy storage system, Exide as an organization?

Avik Roy: So Mandar, would you like to take this question?

Mandar Deo: Yes, absolutely. So as far as our lithium-ion cell product plan is concerned, we have selected product portfolio that will serve both mobility as well as energy storage market segments, with different products. So we will be serving both the stationary as well as mobile lithium-ion consumers.

Avik Roy: Yes. Some of the cells will be common for both. That is how we are developing.

Moderator: The next question is from the line of Aditya Jhawar from Investec.

Aditya Jhawar: My first question is to Mandar. I understand, Mandar, that you have signed NDAs for your lithium-ion projects, but if you can qualitatively throw some light on what kind of business wins, we have seen so far? Number one, for example, out of the first 6 gigawatts, how much of the capacity are you seeing commitments from? And what kind of customers are we seeing in terms of percentage of customers going for only cells, percentage of customers going for the battery pack? And are we also seeing engagement from OEM on hybrid cars?

Mandar Deo: Yes. Thank you, Aditya. Avik, I'll take a first cut at it. Is that okay?

Avik Roy: Yes, Mandar, it's for you.

Mandar Deo: Yes. Okay. So as far as the mix of pack versus cells is concerned, Aditya, what we have experienced, is that there is a good mix of customers that would like only to focus on their product and leave the complete battery pack with us. And also, there are others who fairly evolved in terms of their pack, design pack manufacturing, would like to focus only on getting a cell from us.

So if you look at our original business plan that we put out in the public domain, the cell and battery pack product mix remains pretty much unchanged. Now, the NDAs are there, therefore, we can't go much into the detail. However, qualitatively, what I can say is that across different target market segments, we have seen now a fairly good traction, as we get closer to our SOP. And as customers deeply engage with us and look at our factory, look at our preparedness, we have seen a lot more tightened deeper engagement from our customers, in terms of capacity evacuation. So, while I'm not at the liberty to talk about names and percent evacuation, all I can say is that we are really energized by the heightened interest by OEMs across the segment.

Aditya Jhawar: Yes. So does it also include hybrid cars?

Mandar Deo: Right. So in-terms of hybrid right now, the current technology takes us into the EV segment, BEV is not in our current product portfolio.

Aditya Jhawar: Okay. Fair enough. Now the next question, Mandar, is on profitability. I understand it's too early, but we are very close to commercialization, and you would have already entered your agreement with multiple customers, whether 2-wheeler, 3-wheeler, or 4-wheelers. So what is the line of sight of breakeven? And what capacity in terms of gigawatt hour and utilization, do you think that we will be able to do breakeven? And one of the competitors commented double-digit profitability target in the near term. So what is your overall thought process on profitability?

Mandar Deo: So in-terms of breakeven capacity profitability, IRR, we are right now focused very methodically and laser-like on making the factory running, stabilize, improve yield. Therefore, right now the organization is focused on that. However, all I could say is that when we look at the global industry benchmarks, both in terms of capacity breakeven, as well as other financial measures (such as ROEs), we will be inline with what we see in the market. If you look at the industry trends, we don't fundamentally see any reason to be different from where the industry on lithium-ion cell side is right now.

Avik Roy: Just a thought, may I request Mr. Mukherjee, do you have any additional points to what Mandar said?

Asish Mukherjee: Yes. So, our primary focus is now on the completion of the project and stabilization of the product. And then, we'll have a better feel. But, across the globe, there is a wide variation in the margin profile of the business. Some players are extremely good and certain other players numbers are on the lower side. But what we feel that going forward, we should look at the margin similar to lead-acid, which is kind of mid-teens. That's what we expect, when we reach the full capacity utilization.

Aditya Jhawar: Sir, my final question is on the lead-acid business. What is the pricing difference between the recycled lead and pure lead on the spot market? And what has been the trend in this spread, over the last couple of quarters? Are you expecting it to change in near future?

Asish Kumar: See, lead prices is extremely volatile. And LME is as of now it's slightly on the lower side. But there is no constant delta kind of thing between pure lead and recycled lead. As we are seeing that sometimes the pure lead, the LME prices are pretty low, but the local market prices on the recycled lead is on the higher side. So there is no constant delta kind of thing. Of course, in general, the recycled lead is lower than pure lead. But again, it all depends on the situation.

Avik Roy: But Aditya, we are playing this game for many, many years now. I mean this is our bread and butter. Finally, what we have seen is that it evens out, over a slightly longer period of time. With lags, it evens out.

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

Mumuksh Mandlesha: Sir, I just want to understand on the industrial side, BESS-battery energy storage system. Any order traction there in that segment. Any order wins there also? And also, just want to understand how is that industry shaping up in India, what kind of size would be now and next 2-3 years, what could it be, sir?

Avik Roy: So let me give you just some colour on how the industry might shape up. See, with the government announcements that you see on solar and other renewables, the capacities that they are planning to put up till 2030, which the government has announced, and a lot of steps have been taken towards that also. It is obviously going to lead to a huge amount of intermittency on the grid. The transmission grid will be under pressure, as is to take that intermittency of the renewable load. Therefore, the only technical solution at this moment is battery storage, to make the grid more resilient.

Also, at a very high voltage level, the point of generation of renewable, and the point of consumption, will be far away from each other. In India, it's such a large country, and we'll put up the plants in some states, but the main load centres will be in some other states, which is likely to have longer distances. So, the transmission grid is susceptible to even more inefficiency. So, if that is the big driver, if the solar targets of the government have to be successful, then battery storage is a no-brainer. There has to be large storage systems installed, both at the point of generation, as well as on the point of consumption.

So having said that, given portfolio we are developing, there must be some kind of synergy between automotive batteries and storage batteries, because we have to have the benefit of scale also. So as Mandar mentioned, that some of the cells which we have developed will be used for the EV packs as well as for BESS. This is something which we are going to get ready with. Now, there is always a question at the regulatory level or at the government level on liability gap funding, how does the economics look like.

Moderator: Sorry, I'm sorry to interrupt, sir. Your voice is not clear. Your voice is breaking, sir.

Mumuksh Mandlesha: So I think it was fine, so you can go ahead. It was fine.

Avik Roy: Okay. Like I said, the only question and only driver for the market to pick up is the economics, that will this increase the tariff? If yes, then who is going to fund the gap. So the BESS business will be largely be in the regulated environment of power. So therefore, a lot of policies need to happen to support the real growth. And I think, it should happen because otherwise, the renewable policies will not be implementable. So that's on the market side.

Mandar, would you like to add anything more on this?

Mandar Deo: Yes. Just maybe 1-2 technical points. Like Avik mentioned, our product portfolio benefits from the scale, between the automotive and energy storage. So some of our cells are fairly close to each other, and they benefit. Therefore, we think that we will have a really good product lineup for battery energy storage solution, number one. And number two, given that in some of these segments, where we already have a good foothold through lithium-ion, we see that as an extension of that business. So both scale, as well as the connect with the potential customer is already on our side.

Avik Roy: And it is BESS business, finally for all government tenders, the prime bidders, the lead bidder is always a system integrator or the EPC, or this kind of corporations, who are not essentially battery manufacturers. They are system integrators, solution providers. We would like to stick to manufacturing. So we are on the left side of the value chain. And obviously, these lead bidders will be our customers. This will also help us to mitigate our risk exposure to regulated environment if that helps.

Mumuksh Mandlesha: And just generally, sir, how would be the competitive intensity in this segment vs. like an auto? Because in the renewable energy side, there were multiple customers and will be much larger. So how do you see that competitive intensity in this space, sir?

Avik Roy: What I feel is that there will be a few players with large capabilities in BESS. That is how it is globally also, because everybody cannot have the scale. Only a guy who's active on the EV side, will also be competitive on the BESS side, because he gets the benefit of scale. No manufacturer can have their setup only targeting BESS. That is too subscale.

Secondly, these are tender-driven businesses, number of tenders will be at the most, 5-10 projects going concurrently. So that way, I don't think this is going to be any kind of capacity shortage. But these are also long duration contracts. These are regulated contracts. So these have to be treated completely differently from our EV side of the business. The only synergy comes from the scale on the cell side.

Mumuksh Mandlesha: This is to Avik, sir. I just want to understand what is driving such a strong growth in the auto replacement market. And just want to get sense how you're seeing the market share there, we are growing double-digit. And just anything you want to indicate on how the enhanced network can further strengthen this segment.

Avik Roy: So there are 3 questions. I think I forgot to note down...

Mumuksh Mandlesha: So firstly, how do you see what is driving strong growth in the...

Avik Roy: Driver for growth. Second is market share, you wanted to know?

Mumuksh Mandlesha: Yes.

Avik Roy: And the third one is forward-looking, future strategy?

Mumuksh Mandlesha: Yes, sir.

Avik Roy: So I think this is more or less in public domain, that you have to define the market between organized players and total market. And we do not track the total market, which includes the small scale and unorganised sectors. So market share is a bit tricky subject, because it depends on what do you consider as a market. If you consider all the grey market of lead acid battery, then it's infinite. But largely in the auto market, the car market and the motorcycle market is largely consolidated, with only organized players. And I mean, I don't have to tell you that we are very strongly placed on the aftermarket side. I will not be able to give you exact numbers. I have it in front of me, but I'm sorry. We are the leading player in 4-wheeler, this much we can tell you.

Having said that, there are a lot of other segments like, tractors, rural parts, which is also growing. And a lot of shifts is happening from unorganized to organized sectors. The only macro in quarter 2, which was positive for us, was that, rural consumption was far higher than urban consumption, and our penetration in the rural dealer network is quite strong. So this gives us a hope that on the rural side, there are people who are having aspirational purchases, whether it's a motorcycle or even a small car, and it's not only tractor batteries, but also aspirational vehicles. So this rural side is going to go up, and also these people have started having some brand awareness. So they want to go for organized brands, rather than buying from a roadside grey market. So the rural consumption pattern for us is changing very favourably going forward, and beyond tractors. So these are the positive signs.

Our market share, in 4-wheeler is more than half, if I consider the organized sector. What is driving growth, I told you, the rural consumption. And we have also identified those white spots in our go-to-market strategy to capture that.

In the future, in the new realigned organization, we will be able to capture many white spaces like this, where we might have subscale presence at this moment. But when you pull our might, then we can really capture those white spaces, just for example I mentioned rural, but there are 2-3 other areas where we have identified white spaces, and we'll go full blast for those markets.

So today, as I said, we are growing double-digit on the 4-wheeler side. On the 2-wheeler side, we will also become double-digit because the demand is so strong. And these are also more profitable, so it helps us in the mix also. That's more or less kind of summary answer to the 3 questions.

Mumuksh Mandlesha: So fairly to say over a medium term, double-digit can be seen in the auto replacement segment?

Avik Roy: Yes. Confident about it.

Moderator: As that was the last question, I now hand the conference over to the management for closing comments. Over to you, sir.

Avik Roy: So thank you very much. Thank you everybody for dialling in. I hope we have been able to answer all your questions satisfactory to the extent possible. And also you have to excuse us for certain details, which we were unable to give you because of the situation, which are not in public domain. But we have tried our best to give you as much colour as possible on our company operations. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. Thank you. And over to the moderator.

Moderator: Thank you, sir. On behalf of Investec Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.