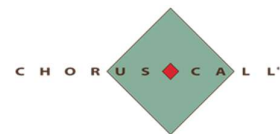




“Exide Industries Limited
Q2 FY ‘23 Earnings Conference Call”

November 16, 2022



MANAGEMENT: **MR. SUBIR CHAKRABORTY – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – EXIDE INDUSTRIES LIMITED**
**MR. ASISH KUMAR MUKHERJEE – DIRECTOR,
FINANCE AND CHIEF FINANCIAL OFFICER – EXIDE
INDUSTRIES LIMITED**
**MR. JITENDRA KUMAR – PRESIDENT, LEGAL AND
COMPANY SECRETARY – EXIDE INDUSTRIES LIMITED**
**MS. CHHAVI AGARWAL – HEAD OF INVESTOR
RELATIONS – EXIDE INDUSTRIES LIMITED**

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

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Aditya Jhavar from Investec Capital. Thank you, and over to you, sir.

Aditya Jhavar: Thank you. Good afternoon to you all. From Exide Industries we have with us today- MD and CEO, Mr. Subir Chakraborty; Director Finance and CFO, Mr. Asish Kumar Mukherjee; President, Legal and Company Secretary, Mr. Jitendra Kumar; and Head -Investor Relations, Ms. Chhavi Agarwal.

Before we proceed, here is a disclaimer for the call, a few statements made by the management in the call may be forward-looking, and we request you to refer to the disclaimer in the press release or further details. We will start the call with a brief-opening remarks from the management followed by a Q&A session. I would now like to invite Mr. Subir Chakraborty for the opening remarks. Thank you. Over to you, sir.

Subir Chakraborty: Thank you, Aditya. Good afternoon, everyone, and a warm welcome to the call. Hope you all are doing very well. Firstly, I would like to thank all our stakeholders for the continuous support and trust they have shown in Exide. If I look at the last few years, we at Exide have been continuously working to be more agile, innovative, efficient and technologically advanced. And this is reflected in our resilient business model and our future-ready products portfolio. We continue to be a leading player in the lead-acid battery space and are always focused on delivering profitable growth.

Looking at the previous quarter, I will start by talking about the demand scenario. Overall, demand was upbeat in most of the sectors to which we cater. On the automotive side, the replacement market continues to grow, and demand from OEMs started recovering as the semiconductor supply situation improved. In the Industrial division, overall pick-up in business activity and increase in capex by public and private sectors led to good order inflow.

Coming to financial performance, I believe it was a very good quarter for us. We clocked 13% year-on-year growth in sales in Q2 FY '23, and EBITDA was similar to last year in absolute terms, despite high input cost inflation. Although margins were impacted on a year-on-year basis, we have reported a sequential improvement in the margins in the quarter, as high raw material prices started softening.

For the first half of the year, our performance is very healthy with sales and profit before tax growing at 32% each. Our effective cost optimization initiatives has helped us lower our fixed costs. Total fixed expenses were 19.4% and 18.7%, respectively, of sales in Q2 FY '23 and H1 FY '23, down from 20.2% in Q2 FY '22 and 20.5% in H1 FY '22.

One area which I would like to highlight is digitalization initiatives taken across operations. Our digital journey began two years ago, and so far, digital processes have infiltrated various critical

departments, including sales and customer service, supply chain and human resources, among others. These initiatives have enabled us to deepen our customer engagement and make our sales force more efficient and target oriented. Our supply chain costs have lowered, and accuracy has increased significantly. We continue to maintain a very strong balance sheet with zero debt:equity and a high liquidity position.

Moving on to the first half cash flow, the company generated Rs. 1,007 crores of cash flow from operations. Our profit, along with prudent working capital management support our cash flow. We have a very strong financial base, which I believe is extremely critical. This will not only enable us to capitalize on opportunity but will enable us to live through tough times, if they arrived.

Talking about the near term, though we are optimistic, we are also carefully evaluating various scenarios at the same time. While we expect overall demand to be healthy, any external factor of geopolitical tensions and impact the demand and the supply side situation in the sectors in which we cater. We further expect sequential margin recovery to continue, supported by some respite in input costs. However, I'd like to mention that raw material costs have again started increasing.

Moving on to the lithium-ion cell manufacturing plant, which we are setting up under our wholly owned subsidiary, Exide Energy Solutions Limited. We have recently done the Bhumi Pujan ceremony on our project facility in Bangaluru Airport, and all necessary approvals are underway. Our senior management team, hiring is almost complete, and we are on track to complete the first phase within earlier proposed timelines.

This concludes our update for the quarter and half year. With this, I close our opening remarks, we'll now be happy to take your questions.

Moderator: We have the first question from the line of Jinesh Gandhi from Motilal Oswal Financial Services.

Jinesh Gandhi: My question pertains to the cell manufacturing capacity which you're putting up. So, can you talk more about it with respect to what will be the initial capacity which we start with and the ramp-up timeline? And effective capex for the same for, which will be incurred in FY '23 and FY '24 for cell manufacturing plant?

Subir Chakraborty: So, thank you for your questions. So, the plant is being setup on roughly 80 acres of land, and it is being conceptualized in two phases, Phase I and Phase II. So, in Phase I, we will have 6-gigawatt hour of capacity in Phase II, another 6-gigawatt hour of capacity. So, we expect the Phase I, SOP, Start Of Production sometime in 2024. So that is the plan. The overall capex for this plant is INR 6,000 crores, of which around INR 4,000 crores will be spent for Phase I and the balance for Phase II.

Jinesh Gandhi: And when we start Phase I, it will start directly with 6-gigawatt hour capacity or...

Subir Chakraborty: Yes.

Jinesh Gandhi: And any indication on the kind of interest which you're getting for the 6-gigawatt hour capacity, given that we'll be starting in '24. So have you started getting RFQs or interest on potential customers?

Subir Chakraborty: The answer is yes, because we expect that we would be one of the first players to kick start a multi-gigawatt hour, lithium-ion facility in the country. And this has generated a huge amount of interest amongst all the OEMs and other players. And we already have started to do a reach-out exercise with potential customers who are well known to us because we have been in this market for 75 years with lead-acid battery, so the customers, we have deep customer connect. And we are well placed to service their requirements.

Jinesh Gandhi: And assuming demand is not a constraint, how soon can we reach to 6-gigawatt hour of manufacturing? What I'm trying to understand is how is the ramp-up timelines for such capacity given that it will be the first in the country. How long does it take to ramp-up to full capacity that way?

Subir Chakraborty: See, we expect, as I said, SOP sometime in 2024, expectedly now in the third quarter or so third fourth quarter around that time. So, actual this first phase, full-scale production that you are asking, this will get stabilized, I expect towards the absolute latter half of '24, '25, and the stabilization of this process will happen in '25, '26.

Jinesh Gandhi: And second question pertains to our core business of lead-acid batteries, so have we seen over last few years, 2-3 years, increasing share of organized players and for Exide as well and the replacement market side?

Subir Chakraborty: Sorry, I could not get your question.

Jinesh Gandhi: Has market share of organized players and Exide gone up in the last 2-3 years and salience of unorganized has it come down in that time frame or it has been broadly stable over the last two years, three years?

Subir Chakraborty: The organized sector, I would imagine we have gained share, but Exide has been gaining share rapidly in the market, not only against unorganized players, but also against organized players in almost all segments.

Jinesh Gandhi: if I look at our margins, both on gross and EBITDA side and that for our peers, over the last few years, they have been coming down despite increasing consolidation in the industry. So how do you read that margin evolution versus a consolidation in the industry? And do you expect normalized margins to again go back to that 14%-15% range from where we are today? I understand RM cost has gone up, but in the replacement market, I believe we have a good pricing power. So, in that context, if you can share your thoughts?

Subir Chakraborty: See, your question is on a relative basis or on an absolute basis.

Jinesh Gandhi: Absolute basis?

Subir Chakraborty: See, on an absolute basis, I can tell you that we have seen an environment where raw material costs have continuously gone up. In fact, there has been an monotonic increasing phenomenon across all raw materials, not only lead, separators, everything, plastics. So, in such an environment, what happens is that you, of course, do your price increases. But then the price increases are based on past data, which means that, let's say, you do a price increase in this month, obviously, you take factoring the cost of the last three months or six months and so on. But then in a situation of monotonic price increase, which has happened by the time you may take the price increase or adjust the prices, the raw material costs have pushed up again. So again, you need to take a subsequent price increase. So, this has been the phenomenon in the last two years because of non-stability of the raw material price. So, while we have adjusted prices, but there has been a time lag. Now your question as to when we can go back to that 14%. The answer is quite simple. Once the prices stabilize, it will take about three to six months for the situation to actually come to a steady state level. And from then on, the earlier margin should be possible.

Moderator: We have the next question from the line of Siddhartha from Nomura Group.

Siddhartha: Sir, again, the first question on your lithium-ion plans. So, on the customer side, will it be possible to guide us like which segments you are essentially targeting in the first phase, like 2-wheeler customers, 3-wheelers or the cars. Some broad segment indication will be very helpful?

Subir Chakraborty: So, we are targeting all customers. As you know, in lead-acid space, we have a very wide product portfolio. Similarly, also in lithium-ion space, we are targeting 2-wheelers, 4-wheelers, e-rickshaws, stationary applications, all customers.

Siddhartha: And the capex, how do you plan to fund it? Will it be through the investments we have in shares or...

Subir Chakraborty: I am requesting our CFO, Mr. A. K. Mukherjee to answer that question.

Asish Kumar Mukherjee: So, the capex, you mean for the core business or for the lithium-ion?

Siddhartha: For the lithium-ion capex of INR 6,000 crores.

Asish Kumar Mukherjee: So, lithium-ion in the Phase 1, there will be 2 phases, of course. The Phase 1 will be approximately INR 4,000 crores. And Phase 2 will be another INR 2,000 crores. So total as of now, estimated at around INR 6,000 crores.

Siddhartha: But in terms of the funding, sir, if you can help us with that?

Subir Chakraborty: Financing, it will be largely from internal accruals from equity infusion. I mean, from Exide. And whenever we require any bridge financing through the borrowed funds will require – we'll take it from banks, etc.a.

Siddhartha: No, I mean that we have an HDFC Life as an investment in, would we look to monetize that opportunity for this? Or internal accruals funding?

- Subir Chakraborty:** See as I said that it will be largely from internal accruals only. So we really don't need the HDFC Life asset for this investment. So, in any case, there will be a lot of investments requirement in future also. So as of now, there is no such plan in monetizing this.
- Siddhartha:** And the base lead acid business, how much capex should we assume there to be there every year e now?
- Asish Kumar Mukherjee:** Lead acid business of course, we will not compromise any capex requirement for the core business as well. So, it is difficult to quantify, but it is approximately, it will be around INR 400 crores to INR 400- INR 500 crores per year.
- Siddhartha:** And then on the base business, sir, if you can highlight for the quarter in terms of growth auto and industrial, how was our growth in these segments? And what is the outlook for the rest of the year, is it possible?
- Subir Chakraborty:** We have grown very handsomely as you are seeing. There is a 32% growth in sales and 32% growth in PBT as well. So there is very robust demand across all segments. And we are taking advantage of that situation. We don't see any lack of demand in lead acid as of now. In fact, as you may have seen all the many -- I will not say all -- many of our customers who are manufacturing 4-wheelers and so on, they are earmarked capex for the traditional internal combustion engine kind of technology. So, there is good growth happening in the traditional space and we are well poised to take advantage of that situation.
- Siddhartha:** Any -- would it be possible to share the capacity currently in 2-wheeler and 4-wheeler battery and industrial? And any expansion you are planning to take in any of these in the next of 1-2 year?
- Subir Chakraborty:** See, we have right now adequate capacity to take care of our requirements. Our capacities and so on are mentioned in our annual report, so you can take a look at it.
- Siddhartha:** And the expansion, sir, any particular areas are you looking to expand?
- Subir Chakraborty:** Expansion, right now, we have adequate capacity to take care of the present requirements. However, there are areas where we need to look at fine-tuning the product portfolio or to introduce some new products and so on and so forth. So therefore, we require capex. But right now, we are not planning any greenfield facility. Whatever is happening is on an incremental basis on brownfield basis.
- Siddhartha:** Possible to quantify that sir, that would be the last question.
- Subir Chakraborty:** Quantify what?
- Siddhartha:** Quantify the expansion, which you are planning to take?
- Subir Chakraborty:** These are, as I said, brownfield expansions, capacity unlocking or debottlenecking those kinds of activities are going on.

- Moderator:** We have the next question from the line of Ashutosh Tiwari from Equirus Securities.
- Ashutosh Tiwari:** So, in this quarter, we have grown almost 13% Y-o-Y. Can you provide break up volume and growth to this?
- Subir Chakraborty:** See, basically, it has been a double digit. We do not actually quantify exact segment-wise figures, but it has been a double-digit growth in both volume and value.
- Ashutosh Tiwari :** But the overall sales of 13% only and there is a lead inflation and other inflation as well, then volume growth, I mean OEM has done very well. We know that from the market. But then is it really that you don't double digit across all segments in the volume side?
- Asish Mukherjee:** Not very clear, if you can just say again?
- Ashutosh Tiwari** No, if I look at, there is a 13% growth overall in sales and there is a lead inflation as well versus last year. So, if we are growing double digit in terms of volume and probably value hardly 3%, which appears to be lower because we have taken multiple price increases over the last one year. So, can you quantify? I mean, industrials or maybe broadly, what kind of volume growth you are seeing?
- Asish Mukherjee:** So, there are -- there is no uniform volume growth in all segments. There are a few segments where up and few segments were down. So overall, if you see the volume, then it will be close to double digit. And, but there are pluses and minus in different segments.
- Ashutosh Tiwari:** And secondly, on this Nexcharge your subsidiary, have we done any sales from there this quarter? And basically, how much of your sales from there? And which segments you are catering to, now from Nexcharge?
- Asish Mukherjee:** See, Nexcharge production has just started. So, it will take some time for it to stabilize. As you know, the Nexcharge facility does not manufacture cells. It import cells and makes modules and packs. So that effort has just started. And as you may have seen in our declaration very lately, that unit has become 100% subsidiary of Exide now. And so, I think going forward, once this production stabilizes, then things will move forward at a faster pace.
- Ashutosh Tiwari:** But as of now, in terms of development work that we already completed which segments of product basically we're going to launch from there?
- Asish Mukherjee:** See, we have launched products for buses, and we have launch products for the telecom sector and also for 2-wheelers. But as I was telling you, these are not with our cells.
- Ashutosh Tiwari:** Yes, that I know we have to import cells and make battery pack.
- Asish Mukherjee:** This unit, the full leveraging of it will only be possible or will be realized once we start manufacturing our own cells. This is something which we have done earlier in order to understand the market, and understand the lithium-ion technology and the rest of it. So that was the objective of this exercise.

- Ashutosh Tiwari:** And lastly, we had done INR 612 crores capex in the first half in consolidated, basically. So, can you provide a breakup up same in terms of latest obviously, will be part of standalone, which is around INR 150 crores, but remaining is what exactly? Is it lithium-ion plant or, what is the capex numbers?
- Asish Mukherjee:** Capex in the first half is about INR 160 crores -- INR 156 crores or so for core business. And we are saying INR 600 crores. I'm not sure which figure...
- Subir Chakraborty:** Consolidated number. consolidated balance sheet, if I look at in the cash flow statement, there is INR 612 crores capex in the first half, consol I am talking about?
- Asish Mukherjee:** That's why we include our investment in the EESL that new lithium-ion cell manufacturing.
- Ashutosh Tiwari:** So, I just want break up of that, is it remaining of like 612 banks, 160 completely that?
- Asish Mukherjee:** Yes. No, it's primarily on account of land and technology
- Moderator:** We have the next question from the line of Subham Agarwal from Aequitas Investment.
- Subham Agarwal:** Yes. Thank you for the opportunity. Sir, firstly, I wanted to understand for our base business, what is our current capacity utilization?
- Subir Chakraborty:** Current asset utilization.
- Subham Agarwal:** Yes.
- Subir Chakraborty:** Capacity, we are clocking anything between 85% to 90% at this point in time.
- Subham Agarwal:** And sir, for this quarter, if we see sequential growth in terms of revenue, so we reported close to 3% decline compared to one of our competitors, which reported growth in sales Q-on-Q. And earlier in the call, you mentioned that we have been gaining market share. So, can you briefly explain what is the reason for this?
- Subir Chakraborty:** Can you repeat the question, please?
- Subham Agarwal:** Yes. So sequential growth in terms of revenue, we reported a decline compared to Q1. And if we compare this, to one of the listed players in similar space, they reported a growth Q-on-Q. So, what is the key reason for such...
- Subir Chakraborty:** I'll explain. The sales composition, our sales composition is not exactly identical to the sales composition of our competition. We are, for example, very heavily into the inverter batteries or the home UPS batteries. The home UPS battery is actually in the second quarter, they always show a decline. So traditionally, first quarter is always much better than the second quarter because of the composition, the kind of sales that we've got. So this has nothing to do with gain or loss of market share, gain or loss of market share that I'm referring to is in the vehicular space or in the two-wheeler space and so on and so forth, that those are the areas where there has been growth in market share. But the H-UPS segment is so heavily skewed that it makes a difference

between quarter 1 and quarter 2. And all along, if you look at our results, it will show the same kind of change.

Subham Agarwal:

Sir, now coming to the Exide Energy Solutions subsidiary, so, in our lithium-ion project, what as per you is the biggest challenge for executing this project because we are going through a technological transformation. So, what are the key areas that you are facing challenges and how you are addressing it?

Subir Chakraborty:

See, the challenges are basically, of course, we are stated, it's a new technology, but we have taken adequate safeguards in terms of, see, you have to understand one thing that many people asked us that you have invested in this Nexcharge, then again, you have invested here. You have to understand the flow of logic, which is precisely this- that three years, four years back when people were talking about lithium ion, we discussed and debated and decided that the best way to actually wet our feet is to get into it.

And getting into cell manufacturer was too big a risk, at that point in time. So, we decided we'll get into module & packs making, which is why we invested in this company in this unit because it was a good way to understand this technology because once you start doing modules & packs, first of all, you understand what it takes to make modules & packs.

And secondly, we also have discussions when we cell manufacturers, and we understand about cell manufacturing as well. So, this was really a kind of initial step, which we took. And after that three years, four years phase, unfortunately, those years were also marked with pandemic, so it slowed us down. But today, we have a very good understanding of what it takes to manufacture lithium-ion cells, which is not the same case with the other players who are today trying to get into this space because let me tell you, modules & packs making technology, it looks very simple, which is why you have so many units who are using sellotape and screw drivers to make these modules & packs and you know the end result of what is happening in the marketplace because of ill-conceived modules & packs.

So, if you ever visit this plant, you will see how sophisticated a plant can be in terms of climate control, in terms of robotics. So it's a fully automated plant. So, it took us sometime to understand this because in India, you don't have this kind of experience at all, whether in the talent group or in the equipment space as well. So now we have a fairly good understanding of lithium-ion cell manufacturing technology. So that is why we have, now we took this major step, which involves a lot of capex as well of getting into cell manufacturer. And today, we are very well poised for a couple of reasons. One is we are today very well informed. We know exactly what, in our choice of partners and so on and so forth, we had a fairly good understanding because we have that head start which others unfortunately do not, number one.

Number two is the major challenge here is to actually stabilize production. Now we have an all comprehensive, technology agreement with SVOLT, where they will be assisting us on a turnkey basis, setting up the plant and assisting us in the initial days of the production. So, we expect to have the same level of productivity and production and so on and so forth on par with SVOLT, who are today within the top 10 players in the world.

The next challenge is the supply chain. Because any small player will not be able to command the same kind of pricing from the raw material supplier. Now supply chain is also tied up in this agreement. So, to cut a long story short, we can ride piggy bag on SVOLT, on the supply chain, which is a major advantage.

The third thing is customer connect. Again, because we have been with the OEMs and other major customers in the energy space for the last 75 years, we have very deep customer connects. So, these are some of the things which we have tied up, which have come to our mind and we are adequately tied up. So, we hope this will takes us on a very good pedestal.

And last but not the least, as I have said earlier also, I think we will be one of the first players in the multi-gigawatt hour lithium-ion space. Because our state of readiness is very high. We have already done the Bhumi Puja, already the construction activity is on the approvals which are necessary those are being worked out. So, we expect we will be one of the first few players.

Again, I'm saying the multi-gigawatt hour space, not in 250 megawatts kind of those, there are one or two players doing that. So, first mover advantage. Let me tell you why this is important. The first mover advantage in this particular area or space is immense because we take 1-1.5 years for this homologation exercise with any customer. This is not just a battery to start the car. These are better to move the car.

And therefore, it takes a lot of time and effort to actually homologate any product with the customer. It takes about one year to 1.5 years. And I do believe that Exide will have that head start. So, anyone who wants to compete will have to have give that time one year to 1.5 years to get their products approved. So therefore, I think we are very well poised in this space. And starting 2024, whenever we start production, I think we will not see any dearth of demand that I can clearly see at this point in time.

Shubha Makara:

And justly, if you can briefly also touch as to why our plan was not selected in the PLI scheme?

Subir Chakraborty:

Well, again, as I said, we were very well informed. We knew what it takes to actually get into this area. Now the people who competed with us, they did not have this information. They were attempting to get into PLI based on whatever information they had. But I strongly believe we had a far deeper level of information. Therefore, whatever we bid for was practical and something which was achievable, both in terms of indigenization and some of the other things, even to setup a plant, to setup 10 gigawatt of plant, what it takes is something that you only get to understand once you are deep into that exercise.

So, I believe we had that information, and therefore, we bid for something which we thought we could do, not something which we could not or not something which was in the air. But again, I don't wish to comment on the others who have bid for it. I wish them all luck. But this is not an easy game. That's all I can tell you. We are not that, let me put it this way, of course, it would have been nice to get the PLI. But again, at the levels that which we bid, it's neither here nor there. It will not severely affect our profitability or anything else. Another thing, let me tell you, if you bid aggressively and you are not able to fulfill, there are penalties associated with PLI.

- Moderator:** We have the next question from the line of Aditya Jhawar from Investec Capital.
- Aditya Jhawar:** Sir, my question is that in our lithium-ion cell manufacturing facility, what is our plan to scale up the manufacturing in terms of more value-added things in terms of supplying modules, supplying battery management system? I believe that it could also have a bearing on overall margin profile of this entity? And what is our target margin - EBITDA margin that we are looking at from this facility?
- Subir Chakraborty:** So, as we have already declared, it's a multi chemistry and multi-format plant. So initially, we are looking at NCM and lithium-ion phosphate, so these two technologies. And in terms of format, we have the cylindrical cells, we have a prismatic cell, and we have also envisage, grade at some point in time. So, it is the largest possible prospection of product variant that one can think of, which we are planning for this plant.
- So, scaling up, depending on the, first initially, it will be 6-gigawatt hour and then another 6-gigawatt hour. And then from then on, depending on the demand and how things shape up, we can scale up more, although it will have to be in another location because this area can only accommodate maximum of 12-gigawatt hour.
- In terms of margins, we strongly believe that margins should not be very different from what we earn for lead-acid battery business. So, it will not impact our overall margin situation.
- Aditya Jhawar:** Sir, and for our Prantij facility, what is the current utilization level? And if you can give some flavor that which are the clientele we are servicing both on the automotive and the industrial side? And what is the margin expectation from the Prantij facility?
- Subir Chakraborty:** The Prantij facility, as I explained earlier, you have to understand one thing. Value addition is 70% with the cell, 30% with the module & packs. So, this is not a lithium-ion cell manufacturing plant. This is only a module & pack making plant. And therefore, as I have said, the idea is to basically get to understand the module & pack making and how it works and so on and so forth and then to homologate some of the products with our customers.
- And in terms of customer base, we have got a very diversified set- starting from buses to four-wheelers to two-wheelers also in the stationary space. In fact, we have launched an inverter called 'Integra', which is actually sold by Exide, but manufactured at Prantij, with the lithium-ion cells. So therefore, this is an exercise, but this plant is only 1.5-gigawatt hour. Now, as far as the Bangalore plant is concerned, there we will be having the balance modules packs making facility. This also we will use, and the balance, which will be required that will be setup in Bangalore along with the cell making plant. So this will kind of act together. So this is the plan right now.
- Aditya Jhawar:** Sir, my final question is, sir, considering the shift from 4G to 5G in the telecom space, are we seeing some inquiries for lithium-ion batteries in the telecom space? And how far are we from delivering the solution for telecom?

Subir Chakraborty: 5G, let me tell you as far as 5G is concerned, 5G has two kinds of towers. Now they have the tower -- first and foremost 4G and 5G will be a separate-towers. They will not be the same. This is the information that we have got, but things can change because it's all a little fluid. What information we have got from the telecom companies is that the 5G towers will be separate.

And 5G will also have rooftop last mile connectivity kind of thing, have rooftop smaller towers or transmission units. Now the ones which are non-rooftop, they will be taking the standard 300 MCLR kind of VRLA cells so far, that is the indication. But the rooftop one, they have, right now, they are taking the 12-volt 42 ampere hour VRLA cells, that is the indication that we have got, and we have supplied a bit in this space.

Going forward, this rooftop kind of thing, the smaller towers, they can accommodate lithium-ion that is suited for lithium-ion actually. So going forward, this could accommodate lithium-ion cell. But this is what the 5G rollout. But 5G rollout is still at a very initial state right now. It will take some more time.

Moderator: We have the next question from the line of Pramod Amthe from InCredCapital.

Pramod Amthe: So basically, with regard to your Nexcharge, now you're buying out the entire stake of your partners, will there be a commitment to supply or source sales or whatever future requirement for your plant going forward from the partner? Or we will be on your own to find it out and chase it as you go forward?

Management: We have absorbed all the technology already and so, there is no issue actually. And we were not sourcing any cell from there. They don't have -- they are a very small plant, in fact, the 250-megawatt hour plant. And their cells are not cost competitive as far as India is concerned. So, we are not sourcing anything from there in any case. We already absorbed the technology.

Pramod Amthe: And do you see still scope to have different assembly plants, one in for Nexcharge and the other one in Bangalore? Or it might make sense to consolidate everything that you want to do and get a scale benefit?

Subir Chakraborty Right now, of course, we have had this share buyback arrangement, which we have done with - - so we have taken the Lechlanché shares. And now it's with our 100% subsidiary. So, we have essentially right now two subsidiaries. One is the so-called Nexcharge subsidiary and another one is the Exide Energy Solutions Limited, which is the bigger effort, which is underway. So going forward, we will take the call how its pans out.

Pramod Amthe: So related to that, considering you have some challenges for accepting your Nexcharge batteries. With the new regulations coming now in December and March for battery cells, have you received more acceptance for your product and inquires have gone up, you see more room for you to play for assembly now?

Subir Chakraborty: See, as I told you, this concern has basically stemmed out of what. It has stemmed out of fire. - - number of fires have taken place that you must have seen in the press. So, this has suddenly raised the caution at all levels, both government and otherwise. So, we have to understand why

these fires are taken place. These fires have taken place because of lack of knowledge of this particular technology.

One of the causes is that ill-designed module and packs that can lead to fire. See, you have to understand one thing, these modules, they require sophisticated thermal engineering. This is not just tying up some batteries together and making some connections. These are high technology area, even though it's called modules and packs. So that is one thing. Second thing is there is a lot of lack of information. For example, let me tell you, Lithium-ion cells should never be transported in 100% Charged condition. This is not well known.

Normally, the recommendation is you should transport at 30%-35% level of charge. Now -- once we are getting into a new area, obviously, we learn as we go along. But some of these things can cause mishaps. So now, of course, people have woken up to this reality, and I'm sure the regulations will help to certainly streamline some of these concerns. As far as we are concerned, we are always ahead of the curve and we, right from the beginning, have taken all possible precautions to ensure that our products are safe and user friendly.

Moderator: We have the next question from the line of Navin Sahadeo from Nuvama Securities. Mr. Sahadeo I have unmuted your line kindly proceed with your question. As the current participant is not answering, we move on to the next participant. And the question is from the line of Vaibhav Zutshi from JPMorgan.

Vaibhav Zutshi: My first question is on the export side related to lead acid batteries. Your share of exports has been rising over the past few years. So just wanted to understand what your aspirations in these markets? And could this be an opportunity for pricing an ESP improvement?

Subir Chakraborty: These exports presents a very big opportunity for us because our products are accepted now all over the world. We are exporting to 60 countries globally. And to the first world in terms of one of our largest markets is Europe, US, the MECA region, Southeast Asia. So, we are fairly well spread out. And in certain product categories like traction cells, we are the vendor of choice by the largest forklift manufacturer in Germany. So, we are very well placed in this and we are growing rapidly. And we see good prospects going ahead.

Vibhav Zutshi: And just a follow-up here. We have heard that EVs also have an auxiliary battery, which required lead asset content. So, have you like kind of started supplying those batteries also to the current electric vehicles that are in the market? Any thoughts on that?

Subir Chakraborty: We have a number of inquiries from various people to make the auxiliary batteries. It's called the auxiliary battery, which is required for your windows, power windows and wipers and so on and so forth. The main battery only drives the car. So yes, we are very much in this space, and we are manufacturing these batteries and there are a number of RFQs from various customers.

Vibhav Zutshi: And my second question is on the lithium-ion space. So, what we are seeing right now is that the cells are being sourced from, say, Korea, China and then getting assembled by some of the OEMs itself of themselves. But if I look at how strongly the government is focusing on localization content, if you were to include the battery cost, then localization content in EV is

quite low right now because of, obviously, cells are being potent. So, do you see regulations may be changing in favor of domestic cells manufacturers, including yourselves over the medium term?

Subir Chakraborty: Yes. I strongly believe so, because as I said, the value addition, again, generally speaking, is about 70% with the cell manufacturing and 30% with the module pack. So once that value comes within the country, I'm sure it will encourage other people also to get into it. And also, what is happening right now is it is motivating a lot of upstream activity in terms of anode, cathode and cell manufacturers to look at India as a destination to manufacture their products, which become inputs for our cell manufacturing. So therefore, number one, it will surely encourage a lot of manufacturing activity, number one. Number two is that I think the government is actively encouraging this Make in India, AatmaNirbhar concept. And once the industry gets going, I'm sure there will be a lot of encouragement from the government as -- and there is no reason as to why we should be not competitive.

Moderator: We have the next question from the line of Pramod Kumar from UBS Group.

Pramod Kumar: My first question is regarding your investments on the EV side. Can you just help us understand what the kind of workforce we have, which is dedicated to the lithium-ion project and for how long we've been having the lithium cell lab in-house in the company because that's again quite important. So, if you can just help us understand this to begin with.

Subir Chakraborty: How many people. So, people, we have started taking -- we have already completed the top-tier recruitment as I said earlier, N-1, N-2 recruitments are in place. So, the team is working out of a next shift office in Bangalore, soon as soon as the offices -- the office space is ready in our site, they will move there. So, we have very qualified people working -- already we have started to work there.

Pramod Kumar: Yes, we are in a way in the buildup space on the R&D side on the on the EV -- for the lithium battery project.

Subir Chakraborty: Yes. So, have got, for example, we recruited our CTO. So, she is building the R&D this thing under her in terms -- initially in terms of talent. And once the actual building comes up, the trial line and so on and so forth. All that is required for R&D, that will be set up. So, we are well on our way to make a very, very modern and state-of-the-art plant in Bangalore.

Pramod Kumar: And sir, on the lithium cell lab, do we have a cell lab in-house already.

Subir Chakraborty: No, we are going to make one. We are going to make on Lithium. As I said, lithium-ion cell manufacturing, that entire project has yet got the green signal in terms of the land from the government. And now the construction activity, Bhumi-puja has just been done. So construction activity has started. So all the lab and other things will be set up there in that facility.

Pramod Kumar: And so \, parallely, are you already making investments on the BMS side, sir, for software development for the BMS because you would want to be seen as the integrated player, right?

- Subir Chakraborty:** See that the module at the BMS, that is what I was saying earlier, that has already been seeded with the Nexcharge facility. So, it's already we are well on that as far.
- Pramod Kumar:** And have we commercialized that, some asset because what we're seeing is some of the BMS which come from abroad or technology, which is also at haven't been exactly very impactful in India. Because...
- Subir Chakraborty:** BMS has to be customized with the customer -- it cannot be just a general BMS. It and what the customer wants, what is looking at, whether he wants us to do the BMS, sometimes the customer do the BMS themselves. So, there are lots of variants, which are possible here. So whichever customer wants the BMS, we'll be happy to help them do it or do it ourselves and sell it to them, whichever way they want.
- Pramod Kumar:** And sir, you did talk about this cell-manufacturing facility is coming up. But when will it be ready, sir, so that -- because it will be really interesting to come and see one of the -- one of the first large plants, which is being set up in India. So what is the expected timeline there?
- Subir Chakraborty:** Timeline is 2024 towards -- I mean, basically, 2024, '25 financial year if you look at it, it will be towards the latter part, not towards the beginning of '24, '25, but it was a later part. Full-scale production should start from '25, '26 onwards. So initially few months will go in stabilizing the production.
- Moderator:** Ladies and gentlemen, this would be the last question for today, which is from the line of Navin Sahadeo from Nuvama Securities.
- Navin Sahadeo:** Yes. I have just one question. Is it possible to share the technical collaboration agreement terms with SVOLT that we have? Again, you said they're going to help us set up the plant and also stabilize production in the initial phase. So are we -- the fee or the consultancy charges or like the collaboration amount that there will be agreed. Is it a percentage of sales or a fixed like revenue to be paid to them? And over what period that will be really helpful.
- Subir Chakraborty:** So, to answer your question briefly, it is not possible for us to divulge the exact details of an agreement, because it would reach the confidentiality clause. But overall, I can tell you, it is a standard technology license agreement where there is an upfront payment and there is a royalty payout. It is nothing out of the ordinary.
- Moderator:** Thank you. As that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Subir Chakraborty:** Thank you. I hope we have been able to answer all your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to give your assistance. Thank you.
- Moderator:** On behalf of Exide Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.