

February 17, 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 February 6, 2026, the transcript of the Earnings call held on February 12, 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
(Formerly known as Amara Raja Batteries Limited)

Vikas Sabharwal
Company Secretary &
Vice President - Legal



Encl: a/a



“Amara Raja
Q3 FY '26 Earnings Conference Call”
February 12, 2026



MANAGEMENT: **MR. DELLI BABU Y – CHIEF FINANCIAL OFFICER –
AMARA RAJA ENERGY & MOBILITY LIMITED
MS. SWAJITHA RAPETI – HEAD, CORPORATE FINANCE
– AMARA RAJA ENERGY & MOBILITY LIMITED**

MODERATOR: **MR. KRUPASHANKAR – AVENDUS SPARK
INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day. Welcome to Amara Raja Q3 FY '26 Earnings Conference Call hosted by Avendus Spark. As a reminder, all the participant lines will be in the listen-only mode, 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 touch-tone phone. Please note that the conference is being recorded.

Now I hand over the conference call to Mr. Krupashankar from Avendus Spark. Thank you, and over to you, sir.

Krupashankar: Thank you, Manasa. Good evening, everyone. Krupashankar here from Avendus Spark. I appreciate everybody logging into the 3Q FY '26 earnings call of Amara Raja Energy & Mobility Limited. From the management team. I'm pleased to host Mr. Y. Delli Babu, Chief Financial Officer; and Ms. Swajitha Rapeti, Head of Corporate Finance. I'll now hand over the call to the management for opening remarks. Over to you, ma'am.

Swajitha Rapeti: Yes. Good evening, everyone. Thanks for joining the call. During Q3, the total consolidated revenue stood at INR3,410 crores which is a growth of around 4.2% over the previous year. And 93% of the revenue has come from Lead Acid business and rest has come from New Energy business.

During the quarter, a steady growth of 7% in domestic automotive 4-wheeler volumes along with other applications, supported the top line expansion in the lead acid business. 4-wheeler OEM volumes have demonstrated robust growth of around 25% and aftermarket volumes grew around 3% on a Y-o-Y basis.

Other applications, including tubular batteries and HUPS also demonstrated a growth rate of around 10%. This quarter marked a significant increase in the tubular battery sales from in-house manufacturing, unlike the previous years. And Lubes also continue to clock a quarterly revenue of around INR50 crores, maintaining its growth momentum.

Coming to the lead acid industrial side, the industrial volumes, excluding the telecom volumes registered a growth of around 2% and the UPS volumes had grown by around 5% on a Y-o-Y basis during the quarter. Despite these growth numbers highlighted earlier, the lead acid business reported a muted top line of around INR3,174 crores during the quarter. This was primarily driven by the decline in industrial telecom lead acid volumes and decline in automotive export volumes by around 15% on account of tariff issues and other geopolitical uncertainties.

On the New Energy business, during Q3, we have delivered a strong performance with a revenue of more than INR200 crores, which is a growth of almost 2x compared to the previous year. This marks the first quarter in which we crossed the INR200 crores revenue milestone. And this growth is supported by increased demand for telecom packs. During the quarter, we supplied telecom packs around 250 megawatt hour and this led to a stationary capacity utilization of 80% plus.

Besides telecom pack, we are also now shifting focus to battery energy storage solutions, where the market demand is expected to reach around 25 to 30 gigawatt hour by FY '31. Our Board has approved the setup of 5 gigawatt hour integrated solution plant with an estimated capex

outlay of around INR280 crores to cater to both grid and commercial industry energy storage solutions. We expect this plant to be operational by end of FY '27.

During Q3, we infused around INR200 crores into Amara Raja Advanced Cell Technologies, which is a lithium subsidiary. And with this, the total investment is now INR1,400 crores. With respect to the profitability, the stand-alone operating margin stood around 11.2%. If we adjust for the lithium telecom battery trading business and consider even the operational efficiency from our lead recycling plant, the margins would work to 12.3% during Q3.

Our lead recycling plant led to a margin accretion of around 0.6% at EBITDA level during the quarter. At a LAB level (lead acid battery business), we are able to sustain the operating margins of about 12% despite this cost pressures at raw material levels. The raw material costs, particularly in tin alloys and sulfuric acid and even antimony alloys increased materially during the quarter, which impacted the margins.

In addition to this, even the OEM mix being higher during the quarter and some provisions around warranty expenses, EPR liability also added to the moderation margin expansion. We took a price increase of around 2% in January '26 to mitigate this cost pressures.

On the capex side, until YTD December, we have spent around INR950 crores between lead acid business and New Energy business. Out of which, INR600 crores has been spent towards lead acid and INR300 crores towards New Energy business. So this is a quick brief on the Q3 performance. We can go ahead with the question and answers.

- Moderator:** The first question is from the line of Raghunandhan from Nuvama Institutional Equities.
- Raghunandhan:** My first question was to better understand on the volume side. Can you please indicate within 4-wheeler, how was the growth in OEM replacement and export Y-o-Y?
- Swajitha Rapeti:** Yes. In the 4-wheeler segment, on the OEM side, we have grown around 25%. In the aftermarket segment, we have grown around 3%.
- Raghunandhan:** Got it. And how would be exports?
- Swajitha Rapeti:** The exports, there's a decline during the quarter by around 15%, Raghunandhan, on account of all this tariff issue.
- Raghunandhan:** And can you also indicate for 2-wheelers, how is the OEM and replacement?
- Swajitha Rapeti:** With respect to the 2-wheeler segment, both in the aftermarket and OEM segment, the growth has been pretty flat. We have grown marginally around 1%. This is primarily due to the corresponding period in the previous year, the volumes were slightly on a higher side. The base was a bit on a higher side because of which the growth looks muted.

And on the OEM side, the growth was a bit muted because certain OEM factories were slightly shut down for a couple of months, which resulted in overall flat growth in the revenue, in the volume.

Delli Babu Y: Just on the 2-wheeler, Raghunandhan, just to add to what Swajitha has said. Last year, same quarter, if you compare the Y-o-Y growth, it was almost close to 16%-17%. So there was that higher base impact that kind of has shown a muted growth on the 2-wheeler aftermarket, but I'm sure it will kind of revive itself in the coming quarters.

And OEMs, we have seen in some of the platforms that we are supplying, we have seen a couple of areas where there was some bit of stoppage of lines for their annual maintenance, etcetera. But otherwise, in terms of market share, there is no major change between both aftermarket and OEMs as well.

Raghunandhan: Good to hear that, sir. And on the industrial side, UPS is plus 5%. How much would be the decline in telecom? And what would be the share of telecom now in overall revenues? Is it very small? Because there has been a shift away from lead acid to lithium. So what would be the lead acid telecom share now?

Swajitha Rapeti: In telecom during the quarter, the volumes have declined by more than 45%, Raghunandhan. So if you see, compared to the previous quarters, the overall telecom share in the revenue has come down significantly. I think if you see now that share would be less than 5%, as a percentage of overall revenue because of the transition to the lithium.

Raghunandhan: And lastly, just to complete the volume bit, the home inverter, how would be the growth there?

Swajitha Rapeti: The home inverters has grown around 10% on Y-o-Y basis.

Raghunandhan: Got it. Got it. This is very helpful. Secondly, in terms of the under recoveries with the 2% price hike taken in January. So would that mean that all the cost related pressures are covered? Or would further price increases be required based on the current commodity prices?

Delli Babu Y: See, Raghu, there is a bit of an uptick again after we took this price increase in the first week of January. While it can cover some portion of the alloy side of it, the other raw material costs like acid is again hitting us. But nevertheless, in Q4, if the season for the tubular batteries were to go in the expected lines, then that could -- because of increase in the manufacturing revenue, that could mitigate some bit of margin pressure.

But at this point of time, if the acid prices also were to cool down during this quarter, I think that should help us. But right now, we believe, to the extent of alloy price increase, what we have seen, this should be sufficient.

But we have to wait and see how are the other factors, how will the balance of the quarter will move on because lead had also kind of reached 1,900, and again, it has moved back to 1,930 levels as we speak. So we have to wait and see how the balance of the quarter operates.

Raghunandhan: Got it, sir. Very helpful. And on a full year basis, would lead acid capex be around INR700 crores? Or would it be higher?

Swajitha Rapeti: On a full year basis, it can go up to INR750 to INR 800 crores in the financial year.

Raghunandhan: Got it, ma'am. INR800 crores. And secondly, on a...

- Delli Babu Y:** Could be -- yes, on the capex, Raghu, that could be even including the tubular plant reinstatement, part of that money is going to come from the insurance claim, yes.
- Raghunandhan:** Got it, sir. So for next year FY '27, it should normalize to about INR400 crores, INR500 crores?
- Swajitha Rapeti:** Yes, Raghunandhan. Yes. In terms of the lead acid battery, I think it will be around INR300 crores to INR400 crores. Whereas on the New Energy side, we may spend around INR1,000 crores in the next year.
- Raghunandhan:** And on the cell capacity side, with the expansion that you indicated, INR280 crores investment on the BESS opportunity. If you can talk about the opportunity, whether how are you approaching to get orders? How do you see the scale up, revenue potential, something on the economics? Any details you can share will be very helpful.
- Delli Babu Y:** Raghu, initially, our idea is, as Swajitha has mentioned, we expect the overall market size to grow to about 30 gigawatt hour in the next 4 to 5 years. And you know there are a lot of tenders that have come up and then people have participated in big number. And going forward, the storage requirements both because of the round-the-clock power requirement from the solar generation side as well as the intermittency in the solar power generation is also required to be mitigated with appropriate storage.
- So we are focusing on the battery energy storage on 2 major applications. One is at the commercial and industrial level, which are of smaller size solutions. Whereas at the grid level, it will be a containerized solution with lithium batteries, plus the other DC blocks that will come in. So depending on where the lithium pack levels are and depending on what size of the container that is being required, the per kilowatt hour prices will vary significantly. So it is difficult to put a particular unit economics at this point of time.
- The other characteristic of this business is, it kind of mimics the pack business because, obviously, we'll be importing a lot of content to start with. And over a period of time, there is a push also because the government has stipulated certain percentages of BESS solutions that need to be produced within the country. And there is also the support for domestic content inclusion.
- You know what has happened in solar, where the government has mandated -- there's a requirement for certain domestic content being used in the solution. So that way, I think the business demand is high. And its asset turnover ratios are expected to be also very high because turnover ratios could be anywhere around 9 to 10x because of this being more of a solution architecture being provided by Amara Raja, whereas components will be imported to start with.
- And over a period of time, it also paves the way for localizing the other components, particularly the cells used in BESS at the rating of about 314Ah today. I think once we see that there is a robust demand that's evolving on that, and it will also pave way for us to go back and then make the cells as well. So from a percentage operating margin level, it will be low. But from an ROCE level, I think it should be better as we move into this business. Yes.
- Moderator:** The next question, we have Kapil Singh from Nomura.

Kapil Singh: My question is just following up on BESS. I wanted to understand how you're thinking about competitive advantages in this business? How you are building competencies there? Because from what I understand, there will also be fairly high competition given everybody will be importing initially for this?

So is that understanding correct? And second is from a cells point of view, are our existing facilities capable of producing those cells or we need to do additional capex to make those cells, which chemistry is used here?

Delli Babu Y: Kapil, as far as competition is concerned, I request you to note what has happened in telecom. I mean you know when we started the whole telecom packs business, there were too many number of players who have got into that business and then how over a period of time, again today, if you look at on a combined lead acid and lithium basis, we still hold about 55% to 60% of the market with us.

While we definitely agree that unlike lead acid, lithium is not a duopoly particularly, market on the pack side today. But over a period of time, when we actually see any of these businesses when the entry barriers are low, there will be too much competition. But over a period of time, we have definitely realized that there is value that will be provided by larger players who understand the whole power requirements better.

And secondly, as you also know, Amara Raja Group is also into EPC business of solar generating stations. They do a lot of work for us. And it augurs also well for us because we'll be able to participate in many of these private tenders as well and then supply the solutions. Moreover, if you look at the 30-40 gigawatt hour kind of demand for the capacity that we are looking at scaling up about 5 gigawatt hour, will result in approximately about 15% of the market share.

So that, I think, is a rightful market share for us to really think about, and I don't see that should actually become a serious hindrance. As far as the cells are concerned, this will be an LFP cell. Current cells that are getting used are 300Ah kind of a rating. And over a period of time once we establish our LFP chemistry cells factories, I think one of those lines or one of those factories can actually be the storage side of it.

As you know, even in the overall lithium numbers, we expect that at least 30% to 35% of the overall lithium cell demand will be from the storage side, whether it be telecom or UPS or BESS etcetera. So that way, whatever the rating of cells that are relevant for the BESS have to be developed over a period of time. Obviously, there is a time to decide what cell size and what capacity that we need to put up.

Kapil Singh: Sure, sir, that's very helpful. Secondly, on the NMC cells capacity that is coming up this year, how are you sensing the potential to utilize that? Some of the players even in the 2-wheeler space have talked about using LFP also as a technology going ahead. And then we are also seeing some new technologies like sodium also being explored. So just your thoughts on how you are working on new technologies? What are your thoughts in terms of some of these new technologies as well and then the utilization of NMC facilities?

Delli Babu Y:

See we definitely hear you. I think that's the same thing what we also hear, not only from 2-wheeler customers, even some of 3-wheeler customers as well to whom we are currently supplying packs. But even then, we believe that the capacity, as you know, even in the earlier calls that we have clearly said that, it's not going to be more than 2 gigawatt hour.

So not only the mobility application, there could be certain high power cells that could be required even in segments like power tools, etcetera. So there will not be a problem as far as using this, even by today's understanding of the market. But in the worst case, obviously, future nobody is so certain about. In the worst case, if at all, there is a problem with it, as we have explained earlier also, migrating this whole line to LFP chemistry is not going to be from a capital point of view, very taxing.

So if NMC chemistry is going to be completely irrelevant, there will be certain at least even in the export markets, there could be some demand that will definitely be there for NMC. So we don't see a problem of utilization of the capacity at this point of time.

As far as new chemistries that are evolving, that obviously is a very important point for us. And there is a very dedicated team, which is looking into the feasibility of those chemistries as and when they become relevant, we will definitely work on them and then see what kind of adaptation that we need to do for the Indian market.

Beyond this, I'm -- I will not be able to give you any specific detailing as to at what stage we are with respect to these technologies. But yes, as we know, sodium ion is being talked about. And we also understand that the LFP chemistry is the mainstay chemistry for mobility applications, which is what we have been saying for the last -- ever since we have started this pivot to New Energy business.

Kapil Singh:

Okay. Great. And sir, lastly, just on the overall growth, it was a little soft this quarter. So if you could just share your thoughts on the growth for the different segments as we look ahead, particularly a little surprising to see aftermarket growth in 4-wheelers of only 3%. So what's happening really over there?

And similarly, telecom as well a very sharp decline. So is this a cyclical decline you think? Or what's happening there? And same for exports actually because tariffs were particularly for the U.S. market. So where is this impact in which markets you are seeing the tariff impact?

Delli Babu Y:

See, the 2 reasons as far as exports are concerned because last year, we have commenced the supplies to the U.S. markets. And obviously, last year's volumes has that advantage already built into them. But now this year, we are not able to supply any volume in this quarter to the U.S. markets.

And also some of the capacities, for example, in the Middle East and Asia Pacific market where we are strong. We are seeing the competitive intensity also a bit of on rise so that there is natural drop in the volumes in those markets as well because there is too much of competition that we need to withstand.

So that will I mean, we are also now trying to look at what are the possible mitigations of it. Because America being such a large market, we cannot ignore it continuously. And then we also need to understand how do we withstand these challenges from time to time based on the political or other reasons.

Whenever there is a challenge with respect to the tariffs or other nontariff barriers. We need to figure out how to overcome them so that there is that stability in the total business. So there are certain steps that we are taking in that regard, which is where we are trying to now look at to form a small subsidiary to start with and then see how it can help stabilize. And then improve our business in the U.S. That's something that we are working on.

With whatever announcements that are coming on the trade side, we are hopeful that in the coming quarters, it should kind of smoothen out. And then because while it was told that the 232 section will also be reviewed and there will be an announcement regarding it, but we are still waiting for the final details around it. So as and when that becomes a reality, I'm sure we should be able to overcome that.

Now as far as the domestic market is concerned, this quarter, particularly, if you see both on the 4-wheeler and 2-wheeler last year same quarter, the aftermarket growth was pretty high. So there is that base impact that is creating some bit of an issue. But overall aftermarket battery growth also is, as you know, the industry is only growing at about 5% to 6% kind of numbers.

So in the coming quarters, these one-off quarter volume blips will get definitely corrected as we move into the next year. So on the industry growth rate level, I don't think there is a reason for us to reassess or get worried about this 5% to 6% number. I think they still have that kind of a potential to grow.

Kapil Singh:

Sir, on the telecom side as well?

Delli Babu Y:

Yes, sorry. On telecom, there is no loss of market share, as I have explained some time ago because though there is chemistry migration happening to lithium, lead acid volumes are obviously going down. So the capacity is also getting retired to that extent because it is not going to be relevant anymore. Only right now, meagre volumes are being supplied. And we know that this journey, this is how it's going to happen.

And in the next 2 to 3 years, if the lithium prices were to sustain at the same levels and there is no abnormal increase, then naturally, you will see that the overall telecom lead acid volumes will continue to de-grow. And we may see a situation where you may not really need to operate a lead acid capacity around the lithium. And as such, now it has become a very small portion of our overall business.

Moderator:

The next question is from the line of Joseph George from IIFL.

Joseph George:

Just one question. When I look at this industry, it's a duopoly and when I look at pre-COVID, the blended margins of the 2 companies used to be about -- 15%. And now we have reached a stage where I think the industry margin is at about 11% or so. Given that's a duopoly, given that

post the GST cut batteries as a consumer category have become more affordable, do you think the industry will display enough pricing power to get back to the old margin range?

Delli Babu Y:

See, I think when we say old margin range, obviously, you need to adjust for the lead base because it would be difficult -- if we encourage that even at such a large lead base, if you continue to target huge margins in the range of, let's say, 16%, 17%, then obviously, you are inviting competition from elsewhere, which is what the industry was able to successfully avoid so far.

So naturally, you need to balance that part also when we take certain pricing decisions. But nevertheless, the current cost headwinds, what we are seeing, particularly on the metal side, I mean the industry is taking its steps to really recover whatever that is possible to be recovered, and there is also, even on the large B2B customers also, there are those discussions trying to see how do we get this cost recovered from the market.

So I think over a period of time, there will certainly be a margin improvement. But what level is something that I don't think, while from a company point of view, our target is clearly to move back to at least a 13% to 14% range. But from an industry point of view, obviously, that's not the right thing for me to comment on. That's how I look at it.

Joseph George:

Sure, sir. Just one question on the OE segment. So do you have automatic pass-through for lead price for OE contracts? Or is that subject to negotiations?

Delli Babu Y:

Yes, it is automatic pass-through based on the PVC contract that we have. But that's only for the lead, not for all commodities.

Moderator:

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

Mumuksh Mandlesha:

Sir, continuing on BESS opportunity, sir. Sir, you mentioned about 9 to 10x is asset turn opportunity. So for the INR 2.8 billion capex, I mean, is it -- this 5 gigawatt kind of opportunity, something like, INR 20 billion to INR 30 billion kind of revenue opportunity, sir.

Delli Babu Y:

See, INR280 crores should give or take give about INR2,800-INR2,700 crores kind of revenue, assuming the current cell prices. Obviously, if sell prices change, even that will change.

Mumuksh Mandlesha:

Got it. Got it. And just want to understand, I mean, as of now any orders there in place? And over the next few years, I mean, what kind of ramp-up do you see for this utilization for this capacity?

Delli Babu Y:

As you know, it will be -- it will be a slow ramp-up. As you know, currently, if you look at the supplies it will not cross even a gigawatt hour. But there are multiple tenders that are being floated, and there are requirements evolving quick and fast because our own country solar capacity target is itself is about 500 gigawatt hours.

So naturally, in the long term, this will be a larger play that will come into picture. And there is a good reason for us to be in this segment because it not only helps the solution business, it also helps the eventual cell manufacturing side as well.

- Mumuksh Mandlesha:** Got it, sir. Sir, on the -- you mentioned about as a solution. So along with the battery pack, so what goes along with that, sir?
- Delli Babu Y:** There are other DC blocks, which basically act as inverters, etcetera. While, I cannot give you a technical description of it. There are other electronic components that will go into it, which also currently are getting imported. But over a period of time, there is both a policy push as well as possibilities of localizing them internally.
- Mumuksh Mandlesha:** Got it. And this INR280 crores will be spent in next 1 year, right, sir?
- Delli Babu Y:** Yes. It will be -- most likely we'll complete this by the end of next financial year.
- Mumuksh Mandlesha:** Got it, sir. Sir, on the -- this quarter gross margin movement, sequentially, we have seen a contraction. Is it largely due to the increase in alloy prices or anything other factors, sir, for this decline in gross margin?
- Delli Babu Y:** Yes, majorly around the material and the mix, while there are certain other expenses that we are continuing to provide for. But also, as you know, the tubular factory also has kind of commenced its operation last quarter. So there is some bit of initial ramp-up, admin cost and employee cost also hitting our P&L. But materially, it is around the raw material cost, which is actually impacting it.
- Moderator:** From the next line is from the name of Vaishnavi Gurung from Craving Alpha Wealth Fund.
- Vaishnavi Gurung:** I wanted to understand our growth in the lithium ion, especially telecom side. I wanted to understand, can we grow as we did in the lead segment? And also one more question. Are we trading and manufacturing in this segment?
- Delli Babu Y:** Yes. On the telecom packs, currently, we are trading them because we buy the cells and then we convert them into pack. Pack manufacturing is what we do. And then we sell it. From a growth point of view, it depends on the speed of migration from lead acid to lithium by all the telecom players that they are looking at. And as you know, recently, the lithium prices are also hardening. So how that will change the unit economics for them is something to be seen. But by and large, we believe this migration of chemistry is something that is here to stay.
- Vaishnavi Gurung:** So we do expect good growth from this segment?
- Delli Babu Y:** As I said, that will depend on the migration plans of how much -- how many sites they want to migrate in a given year and what kind of chemistry change that the telecom tower players are expecting. But we expect that the telecom volumes, whenever this migration happens, lead acid will come down and lithium will, to that extent, increase.
- Vaishnavi Gurung:** Sir, wanted to understand what is our current market share in the telecom lithium ion market?
- Delli Babu Y:** As I said, both lead and lithium put together, they are at about 55%.
- Vaishnavi Gurung:** But this is heavily skewed by lead?

- Delli Babu Y:** No. I think they are right now with the kind of reduction that we have seen in lead, I think in lead, obviously, we'll be having higher market because there are only 2 players. From a market share point of view, lead market share will be higher. But what is important is what's our sectoral presence with both the chemistries.
- Vaishnavi Gurung:** Okay, sir. And my second question is on UPS. So are we planning to expand into lithium-ion batteries? And what are your thoughts on capturing the data center market, especially given the current demand?
- Delli Babu Y:** Yes. Right now, data centers are definitely having that chemistry preference towards lithium. But currently, we are supplying our lead acid batteries to other segments within the UPS application. Right now, the lead acid batteries are growing at about 5%. So while I'm not able to confirm any immediate plans for cell manufacturing on the UPS side.
- We are trying to see if there are other packs that we can work on the storage side of it. One of those steps was on the BESS side. As and when we get into any specific application on the UPS, we will let you know.
- Vaishnavi Gurung:** So we don't have immediate plan to manufacture both telecom and UPS lithium ion batteries in hand?
- Delli Babu Y:** No. When you say batteries, that's what we are doing today. It's obviously the cells part of it is something that we have to look at whether the scale that is available in India is a viable scale for us to really put up a cell manufacturing. As you know, cell manufacturing is quite a capital intensive story.
- And then we need to have the required scale for us to justify that kind of an investment. So those calls will be taken at an appropriate time. But I don't have a specific input to share you whether we will do it or not, obviously, it is in our radar. But those decisions have to be taken at an appropriate time.
- Vaishnavi Gurung:** Okay, sir. And just last question from my end. How are we anticipating further margin impact from rising raw material prices?
- Delli Babu Y:** Sorry. Sorry. Can you repeat that?
- Vaishnavi Gurung:** Yes. How are we anticipating further margin impact from rising raw material prices?
- Delli Babu Y:** Yes. As I mentioned earlier in the call, we have taken some price increase during the current quarter. So that should help us mitigate some bit of this problem. But I mean, we also need to see how the lead moves in the balance period. So if all costs sustain at this level, then we may have to think about if there is a need for any other additional price increase depending on how competition is behaving. But right now, we are again seeing jumps in the things like acid, etcetera, so which we will see how to mitigate as we move ahead.
- Moderator:** The next question is from the line of Aniket Madhwani, Steptrade Capital.

Aniket Madhwani: Yes. So firstly, my question was on margins. So if we go to the numbers, if you compare Y-o-Y basis, there's a significant dip in net margin. So could you just clarify on that? I know you have mentioned in the starting regarding the EPR liability and the OEM product mix. So I just want to understand in detail what exactly was the reason behind it?

Delli Babu Y: Yes. I think we have discussed almost 3, 4 times on the same margin question. So I don't think I should repeat myself again and again. Clearly we have said the raw material cost and the other expenses that we have had in this quarter, along with the OEM mix is the reason for this. And to compensate some of these impacts, we have taken the price increase. I think we have said that, I don't know if you have any specific details that you want to know, then maybe if you can be more specific, then I'll try to address that.

Aniket Madhwani: No. That works. And I just wanted to know about the battery recycling plant? I mean, is it in line with battery breaking starting from Q4 FY '26?

Delli Babu Y: Yes. Yes. The battery breaking is going to start from Q4. And as Swajitha has articulated earlier, the refining operations are providing that additional margin comfort at this point of time. But we hope after the battery breaking gets into full shape, I think we should see some mitigation of the lead cost that we are currently incurring. We will come back to you as and when those operations are up and running as to what impact that they are making.

But of course, recycling operations are always kind of lower margin business. So we hope with the technology, what we have put in place, our recovery ratios will be better, and then we'll be able to improve our overall operating margins for the lead acid business.

Moderator: The next line is from Professional Capital.

Meet: My name Meet. And last time I have also asked the one question related with revenue. So at that time, you said that we are at the 10-year highest ever revenue and that is good. But really, I can appreciate. But when we are talking about growth percentage, we are just in the single-digit growth, although the last quarter government has introduced the GST rate cut in the automobile segment?

Then we are seeing that the growth are -- we can easily see the growth in the automobile vehicles -- car and related vehicles, where they are increasing the sales, but we are not reflecting? Also we are selling our batteries, but why it is not reflecting? So this is one thing. And if we are growing at this kind of 5% to 6% sales then why our quarter-on-quarter EPS is not getting visible?

If we exclude exceptional items which you have taken at INR230 crores, if we exclude that then last quarter, we did a INR235 crores for the profit point of view. And this time, we directly come at the INR151 crores only. So sudden drastic drop at 45%. So -- everyone is talking about sales growth?

That is good. But why we are not converting that to the EPS part. So that is my question. And are we thinking like only single-digit EPS growth only? We are not focusing on double-digit sales growth and the profit growth. So this is one question, sir?

Delli Babu Y:

Yes. I don't know when did I say that we are not focusing on growth and profitability. That obviously is the focus for any company for that matter. As you know, just because there is an OEM growth in a given quarter, it will definitely not -- if the OEMs are growing, which is why even our OEM business has grown by almost 25% this year, this quarter. So for the aftermarket business to reflect whatever OEM growth that is being happening today, it will take at least 3 years hence.

Now the second point that you asked is about the margins. The margins we have clearly explained why there is headwinds on the cost. And what we are doing towards mitigating this as well, I have already explained in the call. In addition to this, I want to add one point that without adding much of additional capex, we are trying to improve our own capacity throughput. Thereby, without spending more money, we'll be able to sell more batteries in the coming future.

So from our future growth point of view, you know that we are trying to grow at least a percentage point ahead as far as the domestic market is concerned. And we are trying our best efforts in terms of increasing our international footprint, which is where we are facing certain headwinds. If our export business like we projected earlier, if were to grow at about 10% to 15% kind of a CAGR, then obviously, that will also reflect better in the overall margins.

So it's a business currently, where there are certain cost headwinds we are facing so there is a margin dilution at this point of time. And as you also understand the lead base over the last 3 years have kind of improved from about INR1,50,000 to about INR2,10,000. And even the alloy prices, which used to be around INR1,60,000-INR1,70,000 is now at about INR2,20,000.

So there is a time and pace at which the industry is working on recovering from these cost headwinds, and I'm sure we are in the direction of improving the overall EPS over a period of time. And we have taken the decisions in line with those expectations.

Meet:

So, sir, if I take a follow-up question on this only. So we have just reduced 2% operating margin percentage. And also, we are discussing about the export related. So we are mainly focusing on 88% at domestic level only. So 90% are of the domestic part only, and 12%, we are just exporting. So we can not focus on the foreign export still we can do the better.

And in the December 2024, you did sales INR3,164 crores to currently, we are at INR3,351 crores approximately INR200 crores sales increase and expenses are also INR200 crores increase. So why expenses are increasing in a similar way as the sales, but it is not directly reflecting at the EPS growth. That is actually my concern. And it should be reflected because...

Delli Babu Y:

My request also -- yes, please go ahead, yes.

Meet:

Yes. If we take about the 10-year EPS growth, then we have not done anything. Just 8% growth which is not able to be beat at least 1% or 2%, we are beating with the FD return. So what is the -- our business advantages. That is my point?

Delli Babu Y:

My request also is for you to look at the consolidated results because consolidated results also have the lithium business. The expense increase -- there are expenses that we are incurring towards the lithium-ion business development. If you are following the company closely, we are

spending close to INR100 crores on the lithium ion development and other construction activities that are currently going on.

The second point is your suggestion that we should not focus on exports and then only focus on domestic market is well understood. I'll try to see how viable that kind of a suggestion for our business context because as we see the Indian market, growth is at a given level.

Naturally, for us to really look for higher growth and better profitability because foreign markets require AGM batteries, which are a better profitable business. So that's the reason we believe there is reason for us to really grow internationally. But your suggestions is understood. We'll rethink about it.

Moderator: The next question is from the line of Vaishnavi Gurung from Craving Alpha Wealth Fund.

Vaishnavi Gurung: It is again on the telecom side. You mentioned that we'll start manufacturing cells once you see a better demand. So since you mentioned that there has been a chemistry shift from lead to lithium, which is prominent, so what is stopping us to have in-house manufacturing of cells?

Delli Babu Y: No, I have not said better demand. I've said that size because for lithium, with the capital intensity, what we will have, we need to have a given scale for a given cell type. So as and when we see that there is a -- and also, you should understand that the lithium replacement cycle is not as fast as lead acid.

So taking that into account, we need to see whether that is the right time for us, only thinking about a cell only for telecom because if you look at the entire telecom today, if you were to convert it into cell demand, it will not cross 3 gigawatt hour. So for that capacity alone, if you put up a cell capacity.

And then if you were to compete with our players also, will it become a subscale or are you able to find a cell which is common with telecom as well as other applications as and when we'll see that potential is when you should invest capital behind it. Otherwise, you will be doing a subscale activity, and we will not be able to be cost competitive.

Moderator: As there is no further questions from the participants, now I hand over the conference to management for closing comments.

Delli Babu Y: Yes. Thanks. Thanks, everyone, for joining the call. See you next time.

Moderator: On behalf of Avendus Spark, that concludes this conference. Thank you for joining us. You may now disconnect your lines.