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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 Q2 FY23-24

Dear Sir/Madam,

This is further to our letter dated 1st November 2023 wherein the Company had intimated that it will host an Earnings call on Wednesday, 8th November 2023 for the Q2 FY23-24 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
Company Secretary and
President– Legal & Corporate Affairs
ACS No. 11159

Encl: as above



“Exide Industries Limited Q2 FY24 Earnings
Conference Call”

November 08, 2023



MANAGEMENT: **MR. SUBIR CHAKRABORTY – MANAGING DIRECTOR &
CEO, EXIDE INDUSTRIES LIMITED**
**MR. ASISH KUMAR MUKHERJEE – DIRECTOR OF
FINANCE & CFO, EXIDE INDUSTRIES LIMITED**
**MS. CHHAVI AGARWAL - HEAD, INVESTOR
RELATIONS, EXIDE INDUSTRIES LIMITED**

MODERATOR: **MS. SWAPNA BHANDARKAR - INVESTEC**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Call of Exide Industries Limited hosted by Investec Capital Services.

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 ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Ms. Swapna Bhandarkar from Investec. Thank you and over to you.

Swapna Bhandarkar: Good morning, everybody, and thank you for joining for the Q2 FY24 Earnings Call of Exide Industries. My name is Swapna, and we apologize for the little bit of delay. We have the Management of Exide with us, and I think without further delay, we can start the Q&A please.

Moderator: Yes, ma'am. Thank you. We will now begin the question-and-answer session.

Swapna Bhandarkar: While we wait for the call, we have the Management, Mr. Subir Chakraborty – Managing Director & CEO; Director of Finance and CFO - Mr. Asish Kumar, along with them is Head of Investor Relations, Chhavi Agarwal. Sir, while we wait further questions, I would request you to make some opening remarks for the audience, please.

Subir Chakraborty: Good afternoon all of you and thank you for joining this call. We have concluded the board meeting and announced the results, which you may have seen in the various kinds of media. We are looking at a situation where there is robust growth in lead-acid industry, particularly in Q2, which is also backed up by very healthy growth in profit margins and profitability. We hope that the trend will continue in the near to mid-term as I have stated in the press briefing.

We are very well poised today, to not only grow in lead acid, but also complete our lithium-ion project on time, so that we are able to start production on schedule.

Moderator: We will begin the question-and-answer session. Our first question is from the line of Vibhav from JPM. Please go ahead.

Vibhav: My first question is on the lithium-ion side and particularly, what is happening to prices of lithium cells and raw materials, looks like prices have come down considerably and we could be heading into over-supplied market. At least in the near term, it looks like profitability across the value chain is getting impacted. Now obviously it is early days for you, but just want to get a sense as to how you are reading into this environment. Is it getting easier for you to find alternate sources of suppliers? Is the decrease in raw material costs more than offsetting the decline in cell prices..., any early lead would be helpful?

Subir Chakraborty: See commodity prices globally keep on fluctuating. Nobody has control on commodity prices. They depend on various factors including geopolitical factors, demand supply factors and so on. So, now the question is, how does one see our project given the fluctuation. Now the answer is

not very complicated, we also operate in another such kind of environment, which is the lead acid, lead is also fluctuating, it is also a commodity, keeps on fluctuating, so therefore fluctuation, which happen in the commodity prices, that should not be the deciding factor in getting to a project or getting out of a project, because that is a fact of life. The question is how does one then ride over these fluctuations? So, all that I can tell you is that, our technology agreement with supply partner also includes supply chain management, we get access to their supply sources and so therefore, to a large extent, we can float with the global trends and depending on the commodity prices, the pricing of the end product also changes as we all know, for all such cases and this is what is likely to play out. We do not feel that this in any way will affect the profit or the profitability of the venture, because obviously, these corrections will have to happen in the marketplace.

Vibhav: And as a follow up, could you provide the revenue and EBIT break up in your subsidiary EESL for this quarter and how much are you expecting in this financial year because you have a strong order book of around Rs. 600 to Rs. 700 crores?

Subir Chakraborty: EESL has not yet started operating. EESL project is still in progress, and I think you are referring to EEPL.

Vibhav: It will be merged....

Subir Chakraborty: Yes, so you are referring to that, yes, we have a strong order position which will get executed in the next 8 to 12 months. The order book is going to grow intime and right now, that particular unit is importing lithium-ion cells, making the packs and modules and supplying to the market. It has certainly helped us to get a feel of the market and what it takes to actually build a module and pack plant and also to start a very meaningful dialogue with all our customers. So, that unit has certainly been a good precursor to the main unit, which is going to come up and ultimately it is going to source cells which will be manufactured by us, that is when it will get on full stream.

Vibhav: And my second question is on the lead-acid side, we hope so just for the full year, if you can just highlight how do you see the blended growth because it looks like the inverter sales have been kind of weakest on a high base, but all the other segments are going well. So just some thoughts on demand going forward?

Subir Chakraborty: So, overall, as you know, the replacement demand kicks in about 3 years after the OEM supplies are made. So, we are still going through those COVID years, so now while the OEM demand has picked up, but the replacement demand, which is a follow-through of the demand of the OEM vehicles during the COVID period, to some extent that affected last year and to some extent this year as well. But gradually we are seeing an uptick in that market as well. So, going forward, I think both in four-wheelers and two-wheelers, we see the demand pick-up, as we go from quarter to quarter, so I don't see any particular major worry on that front.

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

Kapil Singh: Sir, on the lithium-ion business, can you talk about what are the areas in which or segment in which you are having good conversations with the customers, where you think you will have good penetration to start-off with?

Subir Chakraborty: First and foremost, thank you for your question. Now, we have a very well diversified portfolio. We have a multi-chemistry multi-format product portfolio, essentially lithium-ion phosphate, and in terms of formats, we have the cylindrical, we have the prismatic and in course of time we could also think of blade cells. So, we have a diversified portfolio catering to the diverse requirement in the Indian market. We have already started having very meaningful discussions with four-wheeler customers, two-wheeler customers, also, for example, telecom customers in the stationary space and many other such discussions. So, therefore, as you can see, we would be one of the early movers in terms of getting up the gigawatt factory going in the country and therefore, we should be enjoying the early mover advantage in this particular business.

Now, why early mover advantage is important for lithium-ion business? Let me take a minute to explain- it is because homologation of lithium-ion products takes about anything between 12 to 18 months for any customer. An early mover advantage is a tremendous boost to the prospects of that particular supplier. I think we are well-positioned in that space.

Kapil Singh: Sir, initially which chemistry we would be starting off with?

Subir Chakraborty: In the first phase, we are starting with both Lithium-ion Phosphate (LFP) as well as NCM.

Kapil Singh: And sir, can you also talk about what is the breakeven capacity utilization for this facility? And by when can we expect the company to hit that?

Subir Chakraborty: The project of this scale and size will take a number of months to stabilize. Globally that has been the experience. So, this will take some months to stabilize. We are expecting to start production sometimes towards the end of next financial year and thereafter it will take a few months to stabilize and then the actual commercial production I suppose will start. So, that is the time scale that we are talking about and so breakeven should happen subsequently.

Please understand one thing, there is no dearth of orders. Evacuation of capacity is the least of the problem as far as this project is concerned. Today, we are talking about national demand of anything between 100 to 200-gigawatt hour, 200 being most optimistic, 100 being most pessimistic, so I guess the number will be somewhere in between, and in the first phase we are talking about 6-gigawatt hour. So, the kind of customer response that we have got and we are getting increasingly, it informs us that I do not think evacuation of capacity will be a problem.

Moderator: Thank you. Our next question is from the line of Ankit Merchant from SBI Life. Please go ahead, sir.

- Ankit Merchant:** First question is related to the lead-acid business, so can you also highlight on the export front, how is the export growth momentum going for us. As well as on the industrial front, are we seeing any changes related to telecom or even solar as an opportunity?
- Subir Chakraborty:** So, let me take your second part first. I think the industrial environment is extremely dynamic as far as India is concerned, positively dynamic in the sense that it is growing by leaps and bounds. So, the industrial segment, I think presents a huge promise as far as the Indian market is concerned because you have smart cities coming up, data centers coming up, you have more telecom, more of power plants. So, you have a huge developmental agenda, particularly in the public sector and also now we are seeing that uptick in the private sector as well. So, industrial business presents a huge promise, number one.
- Number two, exports also present a promise, for both automotive as well as industrial. In industrial, as far as exports is concerned we are globally competitive, and our quality is one of the best in the world. So, particularly let's say traction batteries, we are supplying to German OEMs and so on and so forth. So, it is globally accepted. So, therefore there is a huge uptick in potential which we are trying to leverage. Automotive also presents a good potential because there is a lot of demand everywhere and we have lead-acid plants which are particularly in places like Europe and so on and so forth. They have challenges out there and so; therefore, we feel that automotive presents a very good growth potential as well. So, overall, if I were to make a comment, I think lead-acid business presents a good potential going into the near term.
- Ankit Merchant:** So, between domestic industrial as you highlighted, within those sectors as such, if you could quantify what could be the growth?
- Subir Chakraborty:** Industrial, we are seeing good growth across all segments. It is not one segment, telecom, solar, UPS, power sector, project sector. So, there is no sector which is not showing robust growth, as on date.
- Ankit Merchant:** and the market share?
- Subir Chakraborty:** Market share, industrial, we are the market leaders in every segment, other than in telecom, which is a conscious decision. Other than telecom, we are the market leaders in everything.
- Ankit Merchant:** And in exports, we were facing some anti-dumping duty in UAE or Middle East countries, has there been a workaround related to that?
- Subir Chakraborty:** So, yes, you are correct, in automotive exports, we did face a roadblock in-terms of anti-dumping duties earlier, but we have now been able to configure products which are outside the ambit of anti-dumping and therefore we have started supplies.
- Ankit Merchant:** And just my last question related to lithium-ion business, so in the last presentation, you had given an order book of nearly about Rs. 600 to Rs. 700 crores, so has the order book changed materially or the execution or if you could give us some more color related to that?

Subir Chakraborty: Order book has not changed, and this is just I should say the incipient stage, because this was the first year of production, taking of orders. The order book has not changed, but the timelines have changed a bit because of certain difficulties being faced by two-wheeler manufacturers with respect to the PLI schemes. So, there are some orders which will get executed not as per the original schedule, but as per the revised schedule. So, the order book remains unchanged, and it is growing. So, there is no difficulty in that, and this is just the start of.

Ankit Merchant: And the order book had good component coming in only from two-wheelers or were there any industrial or four-wheeler as well into it?

Subir Chakraborty: No, there was high component of stationary applications like telecom also.

Moderator: Thank you. Our next question is from the line of Mukesh Saraf from Avendus Park. Please go ahead.

Mukesh Saraf: First question, again on the lithium-ion side, is it fair to assume that once your plant gets stabilized in 2-3 years down the line, you will still have a much higher exposure to four-wheeler, three-wheeler OEMs in the lithium-ion cell side, given that some of the larger four-wheeler OEMs are also looking to set up their own cell manufacturing units? So, could you give some sense on that?

Subir Chakraborty: So, let me tell you one thing that globally there are three models which are in operation. One is for large particularly four-wheeler OEMs, they are thinking of or have set up dedicated plant, for example if you take Tesla and so on, then there are OEMs which have agreements, long-term agreements with battery manufacturers because they are not interested to set up their own plant and then you have others who don't have long-term agreements, but they source from various battery manufacturers. Now, this is a function of the CAPEX appetite of these individual OEMs because this lithium ion requires a huge CAPEX to the extent of 70-80 million US/gigawatt hours, number one, number two, OEMs per se do not have any special skill or specialization in battery manufacturing. This is a completely different subject. OEMs are basically assembly units and their expertise is in the automotive area, rather than in the battery arena. So, this is a new expertise which they will have to develop those who are thinking of getting into this area.

So, this is a huge challenge for many companies and therefore they adopt either of these three models that I talked about. And I do not think all OEMs will certainly get into battery manufacturers and from the discussions that we are having, we are fairly confident that a good number of them will rely on the other two models that I talked about, going into the future. So, that is the way it will play out. Two-wheelers, certainly bulk of them will not get into lithium-ion manufacture, and stationary applications, certainly not. You do not expect Airtel or Vodafone to start manufacturing lithium-ion batteries. I don't see that happening. So, therefore, there is adequate space as I have talked about that demand is, let us say, if I take it as 150-gigawatt hour, which is in between the pessimistic and optimistic estimate. We are talking about first phase of 6-gigawatt hour, where is the challenge and then in the second phase, maybe

another 6, which is 12-gigawatt hour. So, the market is very large, and it is going to grow and therefore this poses well, places this particular lithium-ion venture in a very good position.

Mukesh Saraf: So, we are not going to have a significant skew towards just one of those segments basically?

Subir Chakraborty: No, it is, we are having a very diversified portfolio spread out across all sectors and as you know, Exide has got deep connects. We have been in this country for 75 years. All the OEMs that you see today, their first launch was with Exide battery in this country. So, therefore, we have very deep connects with not only with OEMs, but also with customers in the stationary application area, where again we are the market leaders in practically every segment. So, therefore the conversations which are happening today are very positive and we are very confident that this particular project will take off very well.

Mukesh Saraf: And my second question is more on the aftermarket side currently, so we have a vast network of touch points across the country and obviously have a strong brand in Exide, how are we looking to use this over a longer term? Are we looking at adjacent products, other consumable kind of products which we do not even manufacture, but use the brand user network that we have? What are our plans there?

Subir Chakraborty: So, we are right now not thinking of adding additional products, means unconnected products, let me put it this way, using the Exide brand because we think there is sufficient scope and opportunity to expand in the core business areas that we are functioning and as you may have seen Exide largely sticks to the knitting that we deal with and we would like to continue on that journey. We are not thinking of adding other products to the Exide brand at this point in time.

Moderator: Thank you. Our next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services Limited. Please go ahead.

Jinesh Gandhi: A couple of questions from my side, first is on the lithium-ion side, just a clarification, the battery pack revenues gets reflected in standalone or in the Nexcharge subsidiary?

Subir Chakraborty: So, Mr. Mukherjee will answer this question.

Asish Kumar Mukherjee: So, this is part of the Nexcharge subsidiary. So, it is reflected in consolidated financials, not in the standalone Exide results.

Jinesh Gandhi: The homologation process for the cell which will be manufactured by us, that process starts after production has started of cells or that is based on the cell sourced from SVOLT from China?

Subir Chakraborty: No, we are presently importing some cells from SVOLT for our Nexcharge production, where we make modules and packs. Once we start making the cells, there is no need to import, unless, of course, there is huge demand and we need to cater to that demand to our supply capacities, but we will be manufacturing the cells in our own plants.

- Jinesh Gandhi:** Sorry, my question is, on the homologation process for our cell plant, so the process will start after plant has started operation?
- Subir Chakraborty:** No, the process has already started because those cells we will be making here. So, that process has already started. That is part of the discussion and dialogue which is going on present.
- Jinesh Gandhi:** And lastly, can you talk about the growth which we have seen on the lead-acid business in 2Q? What was the growth between volume and ASP/mix change benefit on revenues?
- Subir Chakraborty:** Sorry, we don't get you?
- Jinesh Gandhi:** Price increase versus volume growth in 2Q?
- Subir Chakraborty:** We expect reasonable growth in our lead-acid business going forward.
- Jinesh Gandhi:** My question is for the second quarter, the quarter for which you have reported number?
- Subir Chakraborty:** Second quarter, we have reported 10% value growth in Q2.
- Jinesh Gandhi:** Then how much was volume growth?
- Asish Kumar Mukherjee:** So, volume growth is almost quite similar because there is no significant price revision during this quarter.
- Moderator:** Thank you. Next question is from the line of Arvind Sharma from Citi. Please go ahead.
- Arvind Sharma:** So, the first question would be on a lithium-ion cell facility, for an OEM customer, how much would be the cost savings versus if they continue to import?
- Subir Chakraborty:** You see, it is like this, first you must understand the ecosystem in which the OEMs operate. Forget about lithium-ion. If you look at all their other components, most of the OEMs operate on just-in-time basis and basically, they do not stock huge amounts of inventory. What lithium-ion has done is, because lithium-ion batteries are not available in the country, they have had to actually go through a huge working capital cycle in order to be able to make EV batteries because you cannot import from China or wherever on just in time basis. So, therefore you have to stock for 2 to 3 months, keep these batteries and so on and so forth. So, therefore there is a huge inconvenience today which is happening as far as the OEMs are concerned. Now, the advantage of having a local supply is that you can again revert back to the earlier process by which you can, the way you source other components, you can also source the batteries or the packs or the modules. So, this is the first point of convenience.
- Second point of convenience is that the dialogue which can take place, which takes place today between let us say Exide lead-acid batteries and let us say any OEM customer. There is a continuous dialogue on quality, on improvement, on future products and so on and so forth. So, that is a huge advantage, which the OEMs have got. So, therefore one has to look at it from a

very holistic point of view and not look at only what will be the import price. However, having said that, we are fairly confident that we should be able to manufacture the products at the international cost and be able to command a fair margin on our products going forward. We do not see any difficulty in that along with all the other conveniences that I am talking about, which I think will be a huge advantage for which many OEMs may be willing to pay a premium.

Arvind Sharma: Second question was on the usage of cash for the first phase and the second phase. How much debt do you think will you have or you do you plan to liquidate some of your current holdings?

Asish Kumar Mukherjee: Yes, phase 1, approximately the requirement will be about Rs. 4,500 to Rs. 5,000 crores around that and it will be largely from equity infusion, and we will need some borrowing whenever it is required. It is kind of bridge finance and the subsequent generation from the core business, we can repay that. So, there is no requirement for liquidation of our investments.

Arvind Sharma: Sir, on the related note, I just wanted to get your thoughts on the investment in HDFC Life, how do you treat that? Do you treat that as a long-term strategic investment or at some point in time you would want to liquidate it because that makes a difference between treating it as a usable asset or treating it more like a very long-term strategic asset?

Asish Kumar Mukherjee: As I said, at least for the phase 1, we don't need any liquidation of assets and we will review the decisions going forward.

Arvind Sharma: So for some time, it will remain in your balance sheet.

Moderator: Thank you. Our next question is from the line of Pramod Amthe from InCred. Please go ahead.

Pramod Amthe: Again, this is regarding the SVOLT arrangement. Considering the global ambition of SVOLT, what type of opportunities or restrictions does the agreement gives you both in domestic exports?

Subir Chakraborty: There are no restrictions in the domestic market. Exports, which we are not even envisaging right now because it's a new subject for us, which we have to learn, and the domestic market is quite huge. So, therefore, at this point in time for the capacities that we are envisaging, we are not thinking of immediately getting into exports. So, we will think about it when the time comes.

Pramod Amthe: And will you be allowed to sell openly the cells, or you are to go through a battery pack only of your own?

Subir Chakraborty: Customers all over the world again, I am going by the global trend, they require in either of the three formats. Some customers prefer only cells and then they do the modules and the packs themselves; some customers want it in module form and then they build the pack themselves; some customers want it in fully complete condition, that is, cell module pack. In India also, we will see that way.

Pramod Amthe: But your agreement doesn't restrict you to sell the only cells if the customer needs?

- Subir Chakraborty:** No, there is no agreement with anyone. I mean, you are talking about the SVOLT agreement?
- Pramod Amthe:** Yes, exactly.
- Subir Chakraborty:** The SVOLT agreement is we can sell cell module packs. We are already doing it.
- Pramod Amthe:** Now, I was saying the free cell is like for some OEMs need.
- Subir Chakraborty:** Free cells also, we can sell. There is no issue.
- Pramod Amthe:** And the second one is, if I had to look at the growth on the led-acid business this quarter, it seems to have come back to double digit, is it more of a base effect or are you seeing any green shoots for a double-digit sustainable growth in the business?
- Subir Chakraborty:** I think it must be fairly obvious to the people who are reading various kinds of annual reports that we have gained in market share. It is very obvious. So, it is there on the paper in the sense that one can easily calculate that. So, I think we are well poised as a company with all the efficiencies which we have built-in, to be able to gain in market share further.
- Therefore, one is of course market growth that is happening, other one is winning market shares. I think both the processes are simultaneously on and I think, this places us in a very good, very strong position as of now.
- Moderator:** Thank you. Next question is from the line of Raghunandhan NL from Nuvama Institutional Equities. Please go ahead.
- Raghunandhan NL:** Sir, firstly, on the lithium project, once the production ramp up starts off from FY26 onward, how do you see the ramp up happening? Would it be possible to reach optimal utilization of 70%-80% in 2-3 years? As and when you reach that utilization, what would be the kind of ROE that would be targeted by the company?
- Subir Chakraborty:** See, these are a little premature, in the sense that the project is actually now coming up, but we certainly would like to stabilize production as soon as possible. Any project of this scale requires time. There are global benchmarks and so on and so forth. So, I am sure with the active support of SVOLT, we will make it sooner than later. Once that happens, we would like to ramp it up to full capacity because as I have said earlier, the evacuation of capacity as far as orders are concerned should not be an issue.
- Raghunandhan NL:** And would you be targeting 15% to 20% kind of ROE on this business?
- Subir Chakraborty:** This is a very broad-based discussion because the numbers can only be worked out once the project goes on stream, but roughly, we would like to attempt the same kinds of EBITDA that we have today in lead acid. So, it will not be a drag on our consolidated account.

Raghunandhan NL: And sir, you mentioned that phase one investment would be Rs. 4,500 to Rs. 5,000 crores. Just wanted to clarify that number because I think last time you mentioned Rs. 4,000 crores, has there been an increase in the investment budget?

Asish Kumar Mukherjee: There is no increase in the investment budget. Rs. 4,000 crores is the equipment, the CAPEX basically. There are other elements also, OPEX as well as GST element on that, so all these taken together. It will be approximately around Rs. 4,500 crores.

Raghunandhan NL: And given that the investment limit has also been increased by the board and already you have done an investment of the Rs. 1,500 crores, so the remaining investment should complete by FY25?

Asish Kumar Mukherjee: Yes, it will be within FY25.

Raghunandhan NL: In the core, lead-acid factory business, what would be the kind of annual CAPEX, around Rs. 500 crores?

Asish Kumar Mukherjee: Yes, it will be around Rs. 500 crores.

Raghunandhan NL: And lastly, on the inverter segment, lead-acid batteries, how do you see the performance, or do you expect growth this year? How are you seeing that segment?

Subir Chakraborty: This particular segment, I will not say it follows a very defined kind of logic, because every year the situation is different based on power availability and so many other factors. So the fact is that for the last 20 years, we are thinking that this market will basically not be there because of increasing rural electrification. But what we are witnessing is that with increasing electrification, this market has continued to grow, basically because the quality of power and the kind of power which is available, particularly in the hinterland, that is not of the same quality that is available in the cities. So, therefore there is a requirement for inverters.

Now, with increasing digitalization and the entire rural India practically getting used to the digital way of working, so therefore power requirement has become a huge issue, not only for day-to-day life, also for education and everything else. So, I personally feel that this market is going to be there. It is not going to just go away because people want that 24x7 assurance of power in their houses or hamlets or wherever they are and so this market, how much it will grow next year, how much it will grow a year after that, is very difficult to predict, but this market certainly will remain. I do not see it going away very soon.

Raghunandhan NL: One last question if I may, on the gross margin side, there has been an improvement quarter-on-quarter basis, some benefits of like softening commodities also there in the play, just wanted to understand for next quarter, would you expect input cost to be stable or are you seeing any kind of increase?

Asish Kumar Mukherjee: We cannot give any future guidance on that, but the commodity market is always volatile. It is very difficult to predict what will happen in the coming quarter. We can only say that in Q2 it

improved on Y-o-Y basis as well as on quarter-on-quarter basis, in spite of there was some increase in the lead cost. In fact, Y-o-Y basis in the lead cost increase was 4% which had an impact on the margin of 2%, but actually our material cost has come down. So, that shows the improvement we are having in cost optimization.

Moderator: Thank you. Next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Firstly, on the Y-o-Y growth side, like you mentioned, the entire growth of 10% has come from volume only, but the lithium was soft, so is the industrial vertical has grown in like mid-teens in this quarter of Y-o-Y in terms of volumes?

Subir Chakraborty: No, both the segments have grown. I mean both the divisions have grown. So, we do not get into micro level analysis of each particular sub-segment, but both the divisions have shown growth.

Ashutosh Tiwari: Lithium and battery pack revenue that we have booked in this quarter?

Subir Chakraborty: In Q3 you are talking about?

Ashutosh Tiwari: Yes, Q2?

Subir Chakraborty: See, this is not part of the standalone results.

Ashutosh Tiwari: It is part of consolidated, I guess.

Subir Chakraborty: Yes, I mean quarter to quarter disclosure of volumes of particular segments.

Ashutosh Tiwari: In the first half, you can provide some color, how much revenue we would have booked in the battery packs?

Asish Kumar Mukherjee: We will get back to you.

Ashutosh Tiwari: And lastly, on the lithium-ion cell part, obviously government has focused a lot on localization of this entire value chain in India and we obviously have not got the PLI, but do you think that once the cell plants start coming into India, there is a possibility that they might do some custom duty, increase something on the cells which we are largely importing in India right now. Is there any discussion on that with government right now?

Subir Chakraborty: We cannot predict what the government will do, but certainly the government is encouraging Make in India. The Honorable Prime Minister has specifically emphasized this point in a number of meetings. So, therefore, I do not see why the government should not be following the same line with respect to lithium-ion, because this is a major point of focus for the government of India. But how and when they will consider this is something that we cannot comment on that. It is for the government to decide.

- Moderator:** Thank you. Next question is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.
- Saif Sohrab Gujar:** So, first question would be on exports, it would be what proportion of our total revenue, maybe you can have it for first-half, or for the quarter, as you wish. What would be the volume growth we are witnessing- specifically for exports? In-terms of our strategy, what level of exports are we targeting and that would be on the back of how, so we are targeting to be a low-cost supplier and does that mean a profitability can deteriorate from the export segment? How should we think about that?
- Subir Chakraborty:** Well, as I have stated earlier, if you take industrial exports, we are really on top of the value chain, in terms of quality, in terms of consistency, in terms of acceptability, so our strategy is not to sell some cheap product. We are selling quality products at a fair price and realizing the full value of our brand, globally. That has been our strategic focus and exports will gradually increase in course of time, because of the quality of our products as well as the reach that we are trying to build now globally.
- Saif Sohrab Gujar:** What would be the proportion of exports to the total standalone business revenue?
- Subir Chakraborty:** Right now it is about 9%, but in course of time it will go up. Also, the domestic demand is very robust. So, we will see how to balance this out.
- Saif Sohrab Gujar:** And what sort of growth this 9% has been based upon? What growth we have achieved in exports maybe last year?
- Subir Chakraborty:** We have achieved, as I said, we do not get into micro-level discussions on each customer segment, but the growth in exports has been extremely robust.
- Saif Sohrab Gujar:** And second question would be on some capacity utilization if you can help us at capacity utilization levels for two-wheelers, four-wheelers, industrials?
- Subir Chakraborty:** Again, overall capacity utilization will be upward of 80%.
- Saif Sohrab Gujar:** And what level can be achieved and beyond what level we would have to go for capacity additions?
- Subir Chakraborty:** See capacity additions, it is not only capacity additions, it is also reconfiguring the shop floor, an exercise which we continuously engage upon trying to make it more efficient. So, therefore capacity addition right now may be in one or two sectors debottlenecking is necessary, but overall we have reasonable capacity now to meet the demand going forward.
- Moderator:** Thank you. Our next question is from the line of Aditya Rathi from Aequitas Investments. Please go ahead.

Aditya Rathi: Sir, my first question was related to industrial division, so recently, we have seen a lot of announcement as far as data center is concerned. So I wanted to understand what is the market opportunity for us and how do we see the growth panning out in this segment or how much of our revenue is contributed by this segment specifically?

Subir Chakraborty: See, data centers are a growing segment in the country. It is something like, for example, if I were to take a parallel, like the drone segment, now, these are just started. This data center business was not there, let us say, 10 years ago, now gradually, this is picking up. So, once this starts picking up, this is nowhere near the kind of scale that we have in Singapore. US, California and so on and so forth. But it is going to grow because data center is a business which a lot of companies are embarking on this because of the sheer digital scale of our country and the growing prospects. So, this business is going to grow by leaps and bounds and we are well positioned.

Aditya Rathi: Sir, I wanted to understand for us, let us say per megawatt of data center, what kind of opportunity is there, how the growth can come for us?

Subir Chakraborty: So, as far as we are concerned, this presents a huge opportunity and we are catering to this. Now, as I have said this particular segment is at a very incipient stage. It is minuscule compared to what is there in some of the more developed countries. So, let this segment develop, then it will become clear to everybody.

Aditya Rathi: And secondly, my question was again on the margin side, so we have definitely seen some improvement over the last 3 quarters in terms of EBITDA margin, but when we compare this with our historical averages, we are still almost 1.5%-2% away, so what could be the reason now and how do we see this going forward?

Asish Kumar Mukherjee: We cannot give any future guidance on the margin, but we stated earlier also, we are having a lot of cost optimization initiatives, and this is showing results. That is what I said a while back that in spite of some commodity price increase, we could get a better Q2 margin compared to the previous quarter and so going forward, definitely we are likely to see some benefits on the cost and that should result better margin. There are lots of other volatility like commodity price and etc., those are also there. So, very difficult to predict any margin, but our cost initiatives are on.

Aditya Rathi: Sir, for us, what is the target, let us say, of EBITDA margin going forward? I don't want any guidance, but what is the target that we are trying to achieve?

Asish Kumar Mukherjee: Target is again, to go back to our earlier position, so 14.5% to 15%.

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

Kapil Singh: Sir, you had mentioned that we have not seen an increase in order book for the lithium-ion battery pack, so just wanted some color on the industrial side, You mentioned two-wheelers, but on the industrial side, why have we not seen an increase in order book?

Subir Chakraborty: Industrial side, there is an increase in order book. Industrial orders do not come on a steady stream. Industrial orders, they come lumped up. So, you supply one order, then you wait, and then the next order comes. It is like that right now because this particular unit is just starting now. Once it well on its way with our battery cell manufacturing unit and everything else, then it will be more continuous, but industrial orders certainly have been good, more than our expectations.

Kapil Singh: So, like overall order book has increased or it has not increased?

Subir Chakraborty: No, the order book is increasing, but please understand Rs. 600 crores is nothing for this sector. It is just like getting your toe wet. Once the main plant comes, cells start getting manufactured, then is the time to really assess what kind of order book will come and what will exist and what will happen going forward. This is just the starting point.

Kapil Singh: And if you could also talk about, I was looking at some of the projections you made on the demand side for two-wheelers in particular, what I am seeing is that industry side would become very large, for example, it would be by 2025, we are talking of let us say 3 million plus kind of two-wheelers probably, so one challenge it could pose is that the lead-acid business could start to see a decline, just how do you assess that as a risk and could it have implications for the company? How are you planning for capacities in that context?

Subir Chakraborty: See, our opinion is not that it will decline. Our opinion is that there will be a certain percentage of the business which will go to lithium-ion, but the overall pie is going to increase. I think none of the projections that I have seen, any OEM, or any other manufacturer is showing a decline in lead-acid business. What they are showing is a certain percentage in the future dedicated or will be taken up by EV business, number one.

Number two is that if you look at the projections of the OEMs, the major OEMs, if you look at Suzuki, if you look at Mahindra, if you look at Hyundai, they all are making robust projections of the standard format. This is the internal combustion engine format cars with hybridization, some component of that will have hybrids, which again, for us it is okay because we supply batteries for that. So, therefore, I do not see any huge sudden change in the market where you will have only EVs and none of this. This is not happening. So, I am very sure that the future will play out with a multi-chemistry, multi-format kind of situation because the demand is going to be huge. We want to grow from \$3.7 trillion to \$5 trillion and then beyond. That kind of growth cannot be supported by any one kind of technology. This is our opinion and going forward we will have coexistence of all formats.

Even EVs require one lead-acid battery for auxiliary application. Now that is not a compromise. That is the best supported battery for that application. The lithium battery in that application,

which is a 12-volt application, is not the ideal technology solution. So, therefore lead acid is not going away too soon and we will have not only lithium ion, emergence of other technologies, all technologies will find their own niche applications because all technologies come with pros and cons. There is no technology which has only pros and no cons. Therefore, that is the kind of world we are looking at. That is our opinion, but certainly, other people are entitled to have their own opinions on this matter. This we feel is logical.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Subir Chakraborty: So, thank you, ladies and gentlemen, for joining us in this call. It was a pleasure, very exciting, for us to discuss some of our plans and programs with you as well as answer your questions. We found it very engaging and fruitful, and I hope you also found it likewise. Thank you very much.

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