# Amara Raja Energy



**Operator:** Good day and welcome to the Amara Raja Energy & Mobility Ltd. Q4 FY26 earnings conference call, hosted by Anand Rathi Shares and Stock Brokers Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi Shares and Stock Brokers Limited. Thank you, and over to you, sir.

**Mumuksh Mandlesha – Anand Rathi Shares and Stock Brokers Limited:** Thank you, Sagar. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Q4 FY26 results conference call of Amara Raja Energy & Mobility Ltd. From the company, we have Mr. Harsha Vardhana Gourineni, Executive Director – Automotive and Industrial; Mr. Vikramaditya Gourineni, Executive Director – New Energy Business; and Mr. Y. Delli Babu, Chief Financial Officer. I request them to give their opening remarks, and then we can follow up with the Q&A session. Over to you, sir.

**Management:** Thank you, Mumuksh. Thank you, everyone, for joining this call. I will first give a brief on the Q4 performance and the numbers, and later, I would request the Executive Directors to give their opening remarks.

During Q4 FY26, we achieved a consolidated revenue of approximately 3,530 crores. That is a growth close to 16% over the previous year. Of this revenue, about 92% came from our lead-acid battery business, and the rest is from the new energy business.

The new energy business clocked a revenue of approximately 280 crores from the sale of battery packs and chargers. During the current quarter, we have seen robust growth in the lead-acid battery business, particularly driven by domestic automotive volumes. Four-wheeler OEM volumes have seen sustained growth of over 30% during the current quarter. Aftermarket volumes, considering the larger base, have grown about 5-6% across both four-wheeler and two-wheeler segments.

We have seen sustained demand momentum during the current quarter for our tubular batteries and home UPS systems. Tubular battery volumes grew more than 33% during the current quarter with the onset of the season. Unlike the previous year, where our tubular batteries were completely traded, this quarter more than 70-75% came from our in-house manufacturing capacity, though we are still trading about 20-25% from other manufacturers.

The lubricants product segment has also shown reasonable growth, and we have reached a scale of approximately 50 crores per annum in sales revenue from this segment. During the current quarter, with ongoing geopolitical issues, we saw muted growth in export volumes for the automotive business. We hope that in the coming quarters, the momentum will revive.

Overall lead-acid industrial volumes, excluding the telecom segment, grew around 8%. Telecom has continuously seen a transition to lithium, resulting in a reduction in lead-acid volumes for that segment. This is suitably compensated by lithium volumes, and our overall market share within the telecom segment continues to remain robust at around 50%.

The volume growth I have alluded to resulted in an overall revenue growth of 16%, but when I look at our lead-acid battery business alone, the growth is about 12% over the previous year. Revenue for the quarter from exports stood at approximately 11%.

The new energy business continued its strong performance, which is almost 1.5 times more than the previous year. In the current quarter, we supplied almost 300 megawatt hours of telecom packs to various telecom players. We have also infused another 100 crores into Amara Raja Advanced Cell Technologies, our new energy subsidiary. With this, the total investment into this subsidiary is approximately 1,500 crores. We expect the customer qualification plant, which is currently undergoing commissioning, to commence full-scale operations in the coming months. We are also setting up a battery energy storage facility to cater to C&I and grid applications, which is expected to start production during Q4 of this fiscal year. The first gigafactory is also under construction.

As far as margins are concerned, the current quarter saw overall EBITDA margins at approximately 11% on a standalone basis. If we adjust for the trading revenue of lithium batteries, the lead-acid battery business generated an operating margin of 11.6%. If we consider the operating efficiency of our captive recycling plant and adjust for the lithium pack trading revenue, the EBITDA margin of the lead-acid battery business as a whole is 12.3%.

At the lead-acid battery business level, we sustained operating margins of about 12% despite tremendous cost pressures at the raw material level and in operating costs. Raw material costs, particularly for alloys and sulfuric acid, increased substantially during the quarter due to ongoing geopolitical conflicts. Additionally, we saw a higher OEM mix during the current quarter, with growth upwards of 30% in both four-wheeler and two-wheeler OEMs, which impacts overall margins.

To mitigate these raw material price increases, we took price increases of about 5-6% in the domestic automotive business across various tranches in Q4. Considering the depreciation of the rupee and enhanced freight and raw material costs, we may be forced to look at further price increases in the coming period.

Reflecting on FY26 as a whole, consolidated revenue stood at 13,814 crores. That is a growth of approximately 7.5% over the previous year, supported by both the lead-acid battery business and the lithium pack business. On a full-year basis, we posted robust growth in domestic volumes in both the automotive and home energy segments. Automotive domestic volumes on a full-year basis saw OEM growth of more than 20%, with similar growth observed in the home energy side. However, international volumes reduced marginally over the previous year, considering geopolitical developments in the Middle East and tariff barriers in the North American market. Total exports contributed about 12% of total revenue in the current financial year. Regarding lithium, we crossed the supply of close to 1 gigawatt hour of packs to telecom segments in FY26, and we continue to supply packs for two-wheeler and three-wheeler applications.

Full-year margins at the consolidated level stood at 10.8%. However, at the lead-acid battery level, our operating margin for the full year was approximately 12.2% despite the reduction in international volumes and the continuous increase in input costs and other expenses, such as EPR liabilities and warranty cost provisions. This consolidated margin dilution is due to additional expenses incurred for new energy business product development and the ramping up of production facilities.

The exceptional income noted in the P&L is predominantly from the insurance claim we have fully received for our tubular battery fire accident, adjusted by a one-time gratuity cost taken due to the implementation of the labor code.

Regarding capex, we spent approximately 600 crores in our lead-acid business, split between the battery business and the recycling business. The remainder was spent on new energy projects, including the research lab and the customer qualification plant. If I net this against the insurance claim received, the lead-acid capex would be around 500 crores.

In the coming year, we will spend between 1,500 and 1,700 crores in capex. Approximately 400 crores will go toward the lead-acid battery business, and the remaining 1,100 to 1,200 crores will be for the new energy business. This concludes the brief on results. I will now request our Executive Director for Automotive and Industrial, Mr. Harsha Vardhana Gourineni, to give his opening remarks.

**Management:** Thanks, Delli. Good evening to everyone on the call. Thank you for joining us. This past year in FY26, the business has definitely seen various headwinds, but we are very happy to have emerged with good resilience. As the automotive market, especially the aftermarket in India, shows signs of maturity and grows at a mid-to-high single-digit rate, we are able to grow beyond that market rate.

Regarding the OEM segment, Delli Babu mentioned that we have seen significant growth. Similarly, with our renewed focus on home energy, we have further penetrated segments that were under-represented in the past. Our in-house design and development of power electronics has really boosted our home energy solutions. We continue to explore new ways to leverage our channel and are further investing in our flagship brand, Amaron, to build visibility and brand-led growth.

The international market has experienced muted growth due to tariffs, geopolitical tensions, and shipping headwinds. However, we kept all customer relationships intact and continue to command significant market share in the Middle East, Southeast Asia, and Africa. We have made penetrations into Europe and continue customer engagements in the US.

We will continue to grow and look at operationalizing strategies for localization. This will ensure that sales and service support to customers remains intact during times such as these. On the industrial side, we had robust growth in the UPS segment, bolstered by data center growth in India. This is also an export market for us that we continue to build. We are leveraging these same relationships in the commercial and industrial space to release our own BESS solutions to these customers, building on the trust established over several decades.

Our approach to all industries is to provide the right solutions for the right performance, being a truly multi-chemistry, technology-agnostic leader in low-voltage solutions. As a low-voltage solution provider, we keep all upcoming chemistries in mind for automotive applications, whether for SLI, mild hybrids, strong hybrids, or dual-EV batteries. These technologies are being released to meet customer requirements, leveraging our strong OEM relationships. We are meeting increasing volumes by unlocking significant throughput within our existing manufacturing footprint by leveraging digital capabilities and best-in-class efficiency.

I am also happy to share that although our plants are located in water-distressed areas, we have been 12 times water positive and continue to work steadfastly on our sustainability goals. We achieved zero-waste-to-landfill status this year, alongside reductions in energy expenditure and an increased renewable energy share.

Going forward, you will see continuous growth in our international markets across all business lines. We will continue to unlock capacity and value from existing investments, taking advantage of market conditions and technology adoption as the leading global energy solution provider in India. Thank you.

**Management:** Thanks, Harsha. I request Vikram to share his opening remarks, please.

**Management:** Good afternoon, everyone. Thanks for joining the call. Over the last several years, we have shared information about our new energy initiative centered around the Giga corridor infrastructure. I am happy to share substantial updates. While we signed the MoU with the government of Telangana a few years ago, we have largely been operating pack assembly facilities spread between Tirupati, for stationary telecom packs, and Divitipally, for light electric mobility.

We crossed a milestone this year with a cumulative installation of 1 gigawatt hour in stationary applications, driven by our market share in telecom. We maintain market leadership in this segment through the technology transition, and the first exports of lithium systems in this segment have taken place. We also maintain a strong position in the light electric mobility space across two-wheelers, three-wheelers, and LCVs, expanding our reach with packs and chargers.

We are in touch with several passenger vehicle OEMs to support their launches. While we cannot announce specific programs yet due to longer lead times, progress is promising. A major strategic change is the increased focus on ESS. Earlier, we focused largely on EV, expecting it to drive short-term growth. While EV momentum remains steady and remains the largest long-term opportunity, the ESS market has accelerated due to the renewable energy drive in India.

Consequently, we launched an accelerated project to construct an ESS integration facility in Divitipally. We aim to start production at the end of this calendar year with an initial capacity of 5 gigawatt hours, in a facility with an ultimate capacity of 10 gigawatt hours. Regarding cell manufacturing, E-Positive Energy Labs, our R&D center, is in the final commissioning phase. Our teams will move into the facility in a phased manner over the next month. Consolidating our teams and upgrading equipment will greatly accelerate our R&D backlogs.

While we pursue partnerships to shorten time to market, our technology efforts are mostly self-driven. The customer qualification plant is in the final commissioning phase, and we are running trials to stabilize processes. We are optimistic about delivering commercial samples to customers in the next couple of months. While we have manufactured small batches of cells in Tirupati, this year marks the first time we are conducting cell manufacturing at a reasonable scale in India at Amara Raja, mimicking mass manufacturing processes.

The first 2 gigawatt hour line, Giga-1, remains on target to start production in June 2027. We consciously chose to build R&D and pilot production first, and our experience with the customer qualification plant will help smooth the learning curve for Giga-1 and future mass manufacturing

facilities. Back to Delli.

**Management:** Thank you, Vikram. We can now open for Q&A.

**Operator:** Thank you very much. The first question comes from the line of Vibhav Jhaveri with JP Morgan. Please go ahead.

**Vibhav Jhaveri – JP Morgan:** Yes, hi, thanks for the opportunity and congratulations on the good revenue growth in challenging times. My first question is on the new energy business. For this 2 gigawatt hour cell line which will be commissioned next year, where are we in terms of equipment procurement? Is the equipment already ordered, or will that happen in FY27? I ask because other large players entering cell manufacturing have faced challenges in procurement or finding partners.

**Management:** This is Vikram. The equipment has been ordered. The challenge has not been access to equipment, but rather getting engineers from China to assist with commissioning. As this is our first time, we depend more on the equipment vendor. While visas are still being issued slowly, we have had engineers on the ground for the past couple of months helping with commissioning. The base technology was initially acquired through cooperation, but our own teams have taken charge of the program for cylindrical 21700 cells. We are confident in our team's ability and the vendor support.

**Vibhav Jhaveri – JP Morgan:** That is helpful. Second, how is the Gotion partnership progressing two years after the announcement? What are the next steps for technology licensing and customer contributions?

**Management:** We announced the licensing technology from Gotion about two years ago. Since then, technology sharing and licensing from China have been disrupted by their government, affecting all technical tie-ups. We face challenges working directly on technology licensing with Chinese entities right now. As I mentioned, while we took what we could from earlier cooperation, our product development efforts for NMC, LFP, and future chemistries are now largely driven by our teams in India.

**Vibhav Jhaveri – JP Morgan:** Understood. One last question on the 5 gigawatt hour ESS plant. What are your margin expectations once it is fully stabilized?

**Management:** The ESS plant will initially develop containerized solutions for both grid and C&I levels. This may mimic the pack business, with operating margins starting around 6–7%. As the opportunity progresses and scale improves, we believe there is upside. Strategically, this also helps us determine which cells to manufacture for energy storage. Vikram, would you like to add anything?

**Management:** In addition to container integration and pack assembly, we plan to produce cells specifically for ESS. While the overall target of 16–20 gigawatt hours at Divitipally remains unchanged, the short-term mix is leaning more toward stationary storage. This is well-established technology, and we are confident that with access to supply chains and equipment, we can develop these cells without an external partner.

**Vibhav Jhaveri – JP Morgan:** Perfect. Thank you so much and all the best.

**Operator:** Thank you. Your next question comes from Raghunandan NL with Nuama Research. Please go ahead.

**Raghunandan NL – Nuama Research:** Good evening, sir. For the lead-acid battery business, could you share the growth rates for 2-wheeler OEM, UPS, telecom, and 4-wheeler export segments in Q4? Also, what is the outlook for FY27 in the replacement and industrial segments?

**Management:** Both 4-wheeler and 2-wheeler OEMs grew by more than 30% during the current quarter. The aftermarket grew approximately 5-6%. Telecom saw a degrowth, while other industrial segments grew at about 3-4%. Tubular batteries grew more than 30%. For next year, Harsha mentioned mid-to-high single-digit growth. Harsha, do you want to add more?

**Management:** We will continue to see mid-to-high single-digit growth, outperforming the market through segmentation and our focus on home energy. We are also expanding our international net to become more resilient to geopolitical tensions. As the market matures, we will focus on the quality of business and value-added solutions to balance revenue and profitability. On the industrial side, we are leveraging commercial and industrial relationships to push storage solutions. Collectively, this supports our high single-digit growth outlook for FY27.

**Raghunandan NL – Nuama Research:** Thank you, sir. Regarding raw material input cost inflation, what is the mix within the raw material basket? Lead usually accounts for 65-70%; how much do others contribute? What is the current under-recovery, and what price hikes should we expect?

**Management:** Approximately 70% of the material cost is lead and alloys, such as tin and antimony, which are trending upward. Rupee depreciation is also affecting us. Plastics account for almost 10% of our raw material cost, and we could see a 40% price increase if current momentum continues. Sulfur is driving up acid prices, and fuel costs are increasing inbound and outbound freight. We took a price increase at the end of last quarter and may need another 2-3% increase, but that depends on competition. We should have a clearer understanding of the total cost pressure within the next month.

**Raghunandan NL – Nuama Research:** Helpful. Lastly, what was the benefit from captive recycling this quarter, and what can we expect going forward?

**Management:** We saw about a 0.5% benefit from the recycling plant, which is currently focused on refining. We expect our battery breaking operation to stabilize next quarter. However, the price of remelted lead in India has also risen substantially, creating cost pressure. We hope to sustain that 0.5% benefit, assuming remelted lead prices don't escalate further.

**Raghunandan NL – Nuama Research:** Noted. Thank you so much.

**Operator:** Thank you. The next question comes from the line of Ganesh Ram with Unifi Capital. Please go ahead.

**Ganesh Ram – Unifi Capital:** Thank you for taking my question. On the new energy business, you have a plan to scale up to 16 gigawatt hours. Industry announcements total about 290 gigawatt hours, while demand might be half of that. Who is the incremental buyer when you scale up, and do you have binding off-take agreements?

**Management:** This is Vikram. Regarding the 2 gigawatt hour line, the 21700 capacity is based on our market assessment that this cell remains highly relevant for the 2-wheeler segment in India. When scaling to 16 gigawatt hours, we haven't mapped it exactly, but while we don't have firm off-take with OEMs, we do use safeguards like take-or-pay agreements. As we accelerate toward ESS, we view our own ESS integration system as the off-taker. For the 5 gigawatt hour ESS plant, we are the end user for the cells produced. The mix between 4-wheeler OEMs and our own ESS capacity will bridge that 16 gigawatt hour target.

**Ganesh Ram – Unifi Capital:** Helpful. Domestic ESS seems to rarely use local cells currently. What do you expect your cell cost per kilowatt hour to be versus imported cells? What ROCE have you underwritten for the 9,500 crore capex? Most buyers optimize for cost, so how will you convince them to buy domestic output?

**Management:** You are correct; it is a cost-sensitive market. We won't be cost-competitive with imports from China immediately. We estimate a "China plus $15 to $20" gap because we lack a local material supply chain and scale. However, we anticipate that the government will mandate localization in sectors like energy storage where they are the primary buyer, similar to solar equipment. Regarding returns, if we achieve a scale of 8-10 gigawatt hours, we see the possibility of an EBITDA margin in the 10-11% range. Our business case targets a low double-digit ROCE. If capex costs continue to drop, we can improve that number provided we ramp up successfully and gain procurement advantages at scale.

**Ganesh Ram – Unifi Capital:** Follow-up: In solar, domestic purchase mandates can push costs up by 30%. Could implementing similar policy measures for EVs or BESS slow down adoption?

**Management:** It is possible. However, the solar industry has phased these in, and the renewable trajectory hasn't really slowed down. When an entire industry feels a cost increase uniformly, it is baked in and the industry moves forward. I don't believe it is enough to completely destabilize growth.

**Ganesh Ram – Unifi Capital:** Thank you.

**Operator:** Thank you. The next question comes from the line of Kapil Singh with Nomura. Please go ahead.

**Kapil Singh – Nomura:** Good evening. Historically, you mentioned 13-14% margins. Given current inflation, what is your 2-to-3-year outlook? Also, over the next 10 years, will lead-acid facilities become underutilized as EV penetration rises? How will you handle this transition?

**Management:** Regarding margins, elevated lead prices have a denominator impact, but we still target 13-14% EBITDA margins even at current lead price levels. We expect to achieve this through higher plant throughput, fixed-cost leverage, and passing inflation to customers with a lag. Regarding lead-acid longevity, we continue to unlock capacity within the same footprint to meet growth. We expect multiple platforms—ICE, hybrids, and electric vehicles—to coexist. We are building capabilities in energy, electronics, and software to provide the right solutions for each.

We are calibrating our capex carefully and sweating existing assets like our brand and channel. Even as telecom lead-acid demand declines, those plants are still operating. We don't see an immediate problem with tubular batteries because home applications and solar systems provide a long runway. Even with EV growth, ICE vehicles won't disappear immediately, and the auxiliary battery market will continue to have demand. We aren't worried about capacity redundancy yet. There is also a massive existing vehicle pool that will require replacement batteries for years to come.

Furthermore, India cannot leapfrog directly into EVs because we cannot replace oil imports with a total dependency on imported raw materials for batteries. This means hybrids will likely accelerate, and we have solutions for all levels of hybridization.

**Kapil Singh – Nomura:** What are the key success factors for the BESS business? Many players are announcing entries; how do you assess the competitive landscape?

**Management:** Announcements are many, but a single 5 megawatt hour container is a quarter-million dollar piece of equipment. Utility-scale BESS requires rigorous manufacturing processes and quality that isn't easily matched by smaller players. Amara Raja is positioned to provide much more domestic value addition, including non-cell components. As policies mandate localization, a company with our infrastructure is better positioned.

**Kapil Singh – Nomura:** Thank you, sir, and best wishes.

**Operator:** Thank you. Our next question comes from the line of Dinesh Gandhi with Oaktree Capital. Please go ahead.

**Dinesh Gandhi – Oaktree Capital:** Regarding the Gotion tech tie-up, have we received approvals from the Indian and Chinese governments?

**Management:** The deal with Gotion is a corporate-to-corporate tie-up; we never sought government approval as it is a private deal. However, there is difficulty getting technology transfers out of China. Consequently, our R&D and product development are now driven internally.

**Dinesh Gandhi – Oaktree Capital:** So our LFP plans will be based on our own technology. When should we expect the LFP plant to come on stream?

**Management:** The first capacity next year will be NMC. We have LFP products in the pipeline, but we will likely wait for more customer program clarity before announcing a firm date, probably 2028 and later.

**Dinesh Gandhi – Oaktree Capital:** Great. All the best.

**Operator:** Thank you. Your next follow-up question comes from the line of Ganesh Ram with Unifi Capital. Please go ahead.

**Ganesh Ram – Unifi Capital:** Regarding localization, do you think mandates will extend to EVs? Also, you mentioned shifting the 16 gigawatt hour mix more toward BESS; what were your original projections?

**Management:** Earlier, we projected 80% EV and 20% ESS. Long term, EV will still be larger, but today we believe the mix will look more like 2/3 for EV and 1/3 for ESS, or even higher for ESS depending on the rollout. We remain committed to the full 16 gigawatt hour capacity in Telangana.

**Ganesh Ram – Unifi Capital:** Do you expect specific localization norms for EV cells? Many traditional customers are now assembling their own packs or manufacturing cells. How does that impact your utilization and customer conversations?

**Management:** Localization mandates work better in sectors driven by government procurement, like stationary storage. For EVs, we have already seen battery pack duties increase. Regarding customers doing their own cells, large OEMs like Tata or Ola are doing so, but most OEMs we are in touch with do not have plans to localize cells and are looking to players like us. While some OEMs are moving pack assembly in-house, there are still many opportunities where they require both cell and pack from us.

**Ganesh Ram – Unifi Capital:** Thank you. That is very helpful.

**Operator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

**Management:** Thanks, everyone. Thank you for your questions. All the best.

**Management:** Thanks, everyone. Goodbye.

**Operator:** Thank you. This concludes the conference. Thank you for joining us. You may now disconnect your lines.