AMARA RAJA
Gotta be a better way

September 29, 2022

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NSE Symbol: AMARAJABAT

BSE Limited
Corporate Relations Department
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001
BSE SCRIP CODE: 500008

Sub: Transcript of Analyst / Investor Call - Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analysts/Investors Call on Scheme of Arrangement with Mangal Industries Limited held on Monday, September 26, 2022 at 19:30 Hrs IST.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the aforesaid transcript of the Investor Call will be uploaded on the Company's website i.e., https://www.amararajabatteries.com/Investors/statutory-filings-with-stock-exchange

We request you to take on record the same.

Thanking you

Yours faithfully,

For **Amara Raja Batteries Limited**

Vikas Sabharwal

Digitally signed by Vikas Sabharwal
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Vikas Sabharwal
Company Secretary

Amara Raja Batteries Limited

Transcript of the Analysts/ Investors' Call
Monday, September 26, 2022 at 07:30 P.M.IST

Participants of the Company

Mr. Jayadev Galla
Chairman, Managing Director & CEO

Mr. Harshavardhana Gourineni
Executive Director

Mr. C. Narasimhulu Naidu
Chief Operations Officer

Mr. Y Delli Babu
Chief Financial Officer

Mr. Vikas Sabharwal
Company Secretary

Mr. Rishi Vora
Kotak Securities Limited

Moderator: Ladies and gentlemen, good evening and welcome to the Amara Raja Batteries Limited Conference Call hosted by Kotak Securities Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishi Vora from Kotak Securities Limited. Thank you, and over to you Sir!

Rishi Vora: Good evening, ladies and gentlemen. We have with us today Mr. Jayadev Galla – Chairman and Managing Director; Mr. Harshvardhana Gourineni - Executive Director; Mr. Narasimhulu Naidu – Chief Operation Officer; Mr. Delli Babu, Chief Financial Officer and Mr. Vikas Sabharwal – Company Secretary present from the Company.

The Company has announced a Scheme of Arrangement with Mangal Industries Limited for the demerger of plastic component for batteries business of Mangal Industries into the Company. The proposed scheme is announced with an objective of backward integration of operations and gain control over supply chain. On behalf of Management of Amara Raja Batteries Limited, we welcome you all for this conference call.

With this I would request Mr. Delli Babu to present on the proposed transaction. Over to you, Sir.

Delli Babu: Good evening to everyone and a warm welcome to this call. As Rishi mentioned, the call is basically to inform you about the proposed Scheme of Arrangement that we have entered with Mangal Industries, which is a step towards backward integration of the materials required for battery manufacturing. We have uploaded the presentation and I will just run you through briefly the content that is there in the presentation, and then give a brief about this proposed transaction. And after that, the Management is here to take questions.

I will right away jump into Slide #6 that is posted on the website, basically to give you a brief about Amara Raja Batteries. Today we have eight manufacturing plants, manufacturing four-wheeler application batteries, two-wheeler application batteries, home inverter batteries and batteries for all industrial storage applications as well. We have been the largest employer in the State of Andhra Pradesh, workforce with average age of about 31 years.

We have recently announced about a year back about our foray into the new energy business in terms of developing products and solutions in the Advanced Cell Chemistry and EV applications and Storage applications

as well. Currently, we are making battery packs for three-wheeler. On the Industrial side as we are also developing products on the EFB and AGM range. And then have been catering to all the OEM and aftermarket customers. Today Amara Raja is the second largest lead-acid battery manufacturer. Now we are obviously moving into the new journey as well.

Today, we have the capacity to manufacture about close to 16.2 million of four-wheeler batteries, and about 29 million two-wheeler batteries and our industrial capacity is around 2 bn AH. Currently all our manufacturing locations are located in the State of Andhra Pradesh in Chittoor District. Our marketing presence is across India and also across the Southeast Asia, Middle East and other export destinations. We have close to about 400+of Amaron® brand franchisees, who are supported by about 30,000 plus retail network through which we reach out to the nook and corner of this country. And also, the second brand which is PowerZone™ where the retail partners are in the range of 1000 to 1500.

To just give you a brief about the Mangal Industries Limited, Mangal Industries Limited has been engaged in the manufacture of engineering components ranging from fasteners, auto components, forging components, plastic components for batteries, etc. Mangal Industries is engaged in this business since 2004.

So, we have given a brief about the journey that Mangal Industries had in Slide #8 as well as Slide #9. If you look at Slide #9, what we are talking about as a demerged undertaking today is about the plastic components that are being manufactured by Mangal Industries, which accounts for roughly 39% of their revenue. Apart from that they are into the product segments like storage solutions, metal fabrication and other auto components manufacturing, and they are also into trading of certain specialty chemicals.

So, today, the business that batteries is interested in is the plastic components, that is the business that Amara Raja Batteries is trying to demerge from Mangal Industries and then vest it with the flagship.

I am moving on to Slide #11, to give you a structure of the transaction. Today, Amara Raja Batteries, the promoters hold about 28.06% and rest is held by public. And in Mangal Industries, a 100% of the shares are held by promoters. And in Mangal Industries, this plastic component for battery is one business and there are other businesses as I have explained earlier.

What we are proposing now is to demerge this plastic component business. Eventually the resultant structure after concluding this transaction will be as shown here. Based on the swap ratio as evaluated by the independent valuers, for every 74 shares of MIL, there will be

allotment of 65 shares of ARBL. So, with that the expected promoter stake will be around 32.86% versus the public share of about 67.14%.

Moving on to the next slide, which is Slide #12. This business has commenced in 2004 and this business is catering to Amara Raja Batteries Limited. And it has three manufacturing facilities as you can see in the bottom left side of the slide. We have one facility in ARGC, Chittoor, the other is in Karakambadi. These two facilities are co-located with the battery manufacturing. And the third facility is in a location called Petamitta.

This business has about 150 odd injection molding machines and as part of the scheme what we are proposing is both the land, building and plant and machinery along with the facilities will be taken over by ARBL, in ARGC and Karakambadi and the machinery which is there in Petamitta will get shifted to the ARGC and Karakambadi locations, so that the entire plastic manufacturing will get co-located along with the places where we make batteries, so that it will further optimize the overall logistics cost as well. So, this transfer of machinery will be taken care by the demerged undertaking over the period of next 15 months. And so that the entire manufacturing will get located at a single place, which will give us the synergies in terms of both the logistics costs, manpower costs, and so on and so forth.

Moving on, I am now on Slide #13. Mangal itself has done a lot of process improvements within their business. Over a period of time, they have automated several of their processes, which has helped in building the efficiency within their business. They have developed certain components for plastic material, which also helped us in developing good quality containers for the battery. It also helped us in maintaining our designs and other mould maintenance in integral manner to battery manufacturing, which has helped us in terms of turning out any new products, the speed at which we could turn out those new products was really at a faster pace. It also helped us in minimizing the number of moulds that we need to maintain for this kind of business.

Today, they have a 37,000 tons PPCP processing capacity, with about 1,400 plus employees and three manufacturing facilities. And their revenue for last three years are mentioned over there, about Rs. 412 crores in FY20 and Rs. 421 crores in FY21, and in FY22 Rs. 569 crores. Of course FY22 was also a year where we have seen phenomenal increase in the PPCP prices. That's also a reason why the revenue got inflated. So, on an overall basis, this business is at about 17% EBITDA margin and at about 10% PAT margin.

The net debt of this business is about Rs. 99 crores which is going to be assumed by Amara Raja Batteries as part of this transaction. Taking this business into Amara Raja Batteries will be EPS accretive from the word

go., if you move to the next slide, which is Slide #14. The reason why this transaction has been undertaken is basically to look at backward integration of all the major materials that we need for battery manufacturing.

You may be aware that we have recently started constructing a battery recycling plant, which will also include plastics recycling as a part of the battery recycling plant that means, the backward integration for all the raw material required is also going to be a step taken as part of our sustainability initiatives as well. So, this will further help us in ensuring that we are making all the components required for the batteries and enhance control the supply chain related to the battery manufacturing.

And as I was mentioning as part of this transaction about 1.22 crore shares will be allotted to the promoters of Mangal Industries Limited at a swap ratio of 65:74. And the approvals that are required for this transaction are from SEBI and then through NCLT and various other regulatory approvals apart from taking approval from shareholders and creditors and bankers as well.

So, today the Board has considered this scheme and then it is approved, and then we will be filing for the required regulatory approvals from SEBI sometime in this month and then the NCLT process will take over. And we expect for the whole transaction to conclude anywhere between 12 to 14 months.

I am now moving to Slide #15, where we are explaining the transaction rationale as it is going to be a backward integration process. Secondly, there are synergies that are going to come in with optimization of the employee cost, power cost and also the logistics cost, and then ARBL will be in a better position to make further improvements in the procurement processes and then help further improving material cost side of it.

We expect this to be EPS accretive in the first year itself. And in terms of the simplification of the operations, the related party transactions which we have been diligently disclosing to all shareholders, will also come down with this proposed scheme so which will further help in improving the profitability of Amara Raja Batteries. And it will be a win-win situation for everyone involved.

I am now moving to Slide #17 where it indicates the timelines that are required for this transaction. As I have mentioned today Board has approved then we will move to Stock Exchange and the NCLT process. As you can see there after the shareholders and creditors meeting and then we expect the transaction to get concluded, sometime around September 2023.

We have engaged the advisors for this transaction, KMCC has been the financial advisor and the fairness opinion provider. And Transaction Square has been working with us on this transaction processes. And JSA did the legal due-diligence and also advised us on the legal matters with respect to this transaction.

We have engaged couple of valuers, Bansi S. Mehta and Mr. Niranjan Kumar who are the registered valuers, and they have provided their independent valuation certificates which are placed before the Audit Committee and the Board Committee today along with the Board. And E&Y did the financial and tax due diligence for this particular process. So, we have completed this process so far and then today Boards of both the companies have approved this transaction.

So, just to give a brief about how we are going to do about our future building blocks at this stage, naturally with the lead-acid battery business having expanded both in India and across the Indian Ocean Rim countries, it is time for us to also focus on efficiency initiatives and then get into the recycling piece, both from the sustainability angle as well as ensuring the regulations being thoroughly met. And then there is also an effort to continue to cater and then improve the lead-acid batteries by launching the EFB and the AGM product range. And also to penetrate deeper into our export markets that's the strategy that we have articulated last year. There is considerable amount of action that's happening in terms of deepening our export presence, so that the export volumes will further help us continue the growth momentum.

And in all this digital transformation is a very important piece in our overall strategy, be it in terms of improving the internal processes, or with respect to improve the customer experience. That's been an area of focus and steady amount of resources are being spent on that side. So, that we are in a much better position in terms of serving our customer needs.

And as you know, the next journey that we have articulated earlier in terms of moving on to EV and energy storage with Advanced Cell Chemistry, that's also a very important piece, that's going to take equal amount of focus both on the lead-acid battery business as well as on the new emerging EV business as well.

So, lastly, I would like to give you a glimpse of how are we approaching this whole sustainability piece. As I have mentioned, right now, we need to make the battery recycling as an integral process for the entire battery manufacturing, which is where we are trying to bring all our stakeholders into common platform, so that the whole recycling initiative becomes a success, which will help us not only to save costs, but also to complement our focus around our environmental and safety measures that we take as a core priority for us in our business. So, it is also a step in that direction. And it ensures a good amount of circular economy getting established

around the lead-acid battery manufacturing. And over a period of time, this should help us even in our new energy business as well.

So, in terms of our growth momentum, idea is how do we leverage our existing volume relationships or our channel and then grow more with the existing distribution network that we have setup by driving digital enabled innovative business processes, and also expand our international market reach. We know we are currently strong in the Indian Ocean Rim, Southeast Asia, Middle East are some of the largest markets; and in some of the countries in these regions, we are present in a significant manner. And how do we continue to enhance our customer experience and brand strength, that's another major initiative that is being considered apart from continue to work on advanced products, using our advanced **stamped grid** technology, and then providing advanced lead-acid batteries to our customer segments.

So, this has been an approach that we have been consistently following. And this step of bringing the entire plastic manufacturing into Amara Raja Batteries business is a step in the right direction on many counts, one to improve the efficiency of the business, second to ensure that supply chain control and simplify the operational structure, and that's going to create value for all the stakeholders that are involved.

That is what I wanted to say about the presentation that we have hosted. Now all the Management team is available here. I request you to ask any questions and clarifications around it, happy to answer them.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: So, first of all, thanks for taking this step-in terms of merging promoter owned businesses into the listed entity. Any plans of merging remaining businesses which are coming, supplying to Amara Raja listed entity in foreseeable future?

Jayadev Galla: Hello Mr. Gandhi, this is J. Galla speaking. What we did is we evaluated the various components that Mangal is currently supplying. And these are the components the plastic components where 100% of the supply from Mangal is going to only one customer, which is Amara Raja Batteries. Whereas the some of the other components which we are making, we have other customers that we are supplying to as well. So, for that reason, we continue to grow those businesses, where Amara Raja is not the only customer, we have several customers that we are catering to. And therefore that will remain with Mangal and not be transferred. That has been the decision that we made as of now.

Delli Babu: Just to add on that point Jinesh, basically we looked at businesses which make products for ARBL. Also to take example of some of those elements which are smaller in size, it doesn't make real economic significance for Amara Raja Batteries per se, because those operations are better served when they are serving both for external as well as internal customers. So, that's the reason that's not been considered.

Jayadev Galla: And it cuts down the related party transactions from Mangal to ARBL by about 60%.

Jinesh Gandhi: And would 100% of Amara Raja's plastic components requirements would be served by Mangal Industries or we also source from open market.

Delli Babu: At this point of time, it is being served by Mangal Industries 100%. So, there are no outsourced plastic components that we are buying.

Jinesh Gandhi: Can you share the capital employed of the acquired assets, what it could be?

Delli Babu: You are talking about the demerged undertaking?

Jinesh Gandhi: Right, primarily the plastic component businesses' capital employed?

Delli Babu: Yes, on the book value basis, it may be around 25% or so. Once we have the fair valuation of the assets being completed, then we will understand what will be the ROCE impact

Jinesh Gandhi: And one very broad question. I mean, given that this business was already part of the promoter group. So, there would be some form of synergies which are already in place. And considering the technological changes happening in our core businesses, it would have made sense to deploy more capital towards future technologies rather than going backward integrated at this point in time.

Delli Babu: See as you know, this is an all-share transaction. At this point of time, the ability for Amara Raja Batteries to deploy capital into the new energy initiative, or maybe strengthening the lead-acid battery, per se, are not going to get affected. Secondly, when we look at our overall thought process around lead-acid battery business, we still see a very clear runway at least for next 15 years at the minimum. After that, well I mean, that's a crystal ball gazing, anyone can do. But in that sense, taking this business into us now will help us to improve our overall profitability and the efficiency metrics will improve. So, in that sense, it makes sense for the lead-acid battery business to backward integrate, and improve the efficiencies and deliver the value.

Jayadev Galla: So, let me just add as Delli was saying this is a cashless transaction so there is no financial burden on the Company as such, which will prevent us from making any other investments that we need to make. Secondly, also, as Delli mentioned, we are very bullish about the future of lead-acid batteries. Even with the transition going from IC engine to EV taking place. The low-voltage system in every Electric Vehicle also requires a separate battery. They don't tap into the main lithium-ion battery, which is used for the propulsion of the vehicle. But all the low-voltage electronics and other gadgets in the car need to be serviced by an auxiliary battery, you could call it, and that is currently the lead-acid battery is playing that role in every Electric Vehicle as well.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capitals. Please go ahead.

Abhishek Jain: This business has a 17% EBITDA margin and 10% PAT margin. So, is it only for the demerged business?

Delli Babu: Yes, it is only for the demerged business.

Abhishek Jain: So, operating margin of the Company especially for this Amara Raja, we have seen a basic collection about 500 basis in last five, six quarters. And that was due to the increase in the lead prices plus the non-lead cost, which was difficult to pass on to the OEMs, and it includes the plastic and separators parts also. So, you are talking about a 17% EBITDA margin and a 10% margin is it for the last year only or it is the historical margin? So, that means if we merge this business, there will be significant impact on the margin side?

Delli Babu: Yes, see we believe once this transaction comes in, at least there should be an EBITDA impact in the range of 0.75% to 1% on the Amara Raja Batteries business, because this business currently at an EBITDA of Rs. 100 crores, with the processing capacity what it has, should be helping us in improving the overall profitability of the lead-acid battery business.

Abhishek Jain: So, as the lead prices has corrected in last two, three months, and there will be backward integration. So, what kind of the EBITDA margin we are targeting in the next one year, from Q3 and Q4

Delli Babu: We have not been giving a guidance for the future, we have been telling that 14% to 16% as an EBITDA margin on our legacy business is something that we can continue to earn based on where the lead is, but definitely this plastics business also coming in will further improve the range. As I was mentioning, based on the workings that we have done so far, it should give us at least a 0.75% to 1% kind of an impact, but would like to do, I mean for me to go ahead and then give you a commitment, that will be a little too early, but definitely yes, profitability wise it will be improving as well as it will be EPS accretive as well.

Abhishek Jain: My last question is related with lithium-ion battery plant; you are going to set up 3 to 4 GW plant. And so just wanted to understand, are you looking for some strategic investors. If you can throw some more light there?

Jayadev Galla: Yes, this call is actually meant for a different purpose. But since you asked this question, I will give you a quick answer for that. We are not looking for strategic investors as such at the moment. We are looking for tying up a technology partner, we are in the search process. We also are identifying the location where we are going to be setting up the plant. And the earlier question that somebody asked, will this affect our ability to invest in new business, this will not affect our ability to invest in those new businesses. We intend to first start investing through debt mechanism. And then in future as the value of the business gets created and improves, then we will think about dilution at that point of time.

Delli Babu: Yes, Abishek just to add one line on that is our investment plans are definitely to build a giga scale plant. There will be a step-based implementation of the program. Initially, we are not looking at any immediate strategic investors per se. ARBL has the wherewithal to do the initial investment. As the business scales up, we will take those calls at an appropriate time.

Jayadev Galla: Currently we have an R&D facility which is a product scale R&D facility in Karakambadi in the Tirupati site, where we are manually manufacturing cells, just to understand the technology more. The next step would be to establish a mega scale plant, which is also going to be a pilot plant, in order to establish the manufacturing process and validate the manufacturing process. Once we complete that plant, then we would go to the giga scale plant.

Abhishek Jain: In the industrial segments, demand for the lithium-ion battery is accelerating and many peers are entering into this space. So, how you are coping with this sort of the situations?

Jayadev Galla: Sorry, what was the last part of the question?

Abhishek Jain: So, how you will tackle this situation where there is a huge competition in the industrial segments for lithium-ion batteries is gaining traction. And your contribution is from the industrial side is around 30% of the revenue.

Jayadev Galla: Yes, as of now there is nobody who is manufacturing the cells in India. There is a lot of people who have made announcements and they have talked about their intent. But there is actually nobody who is actually manufacturing any cells in India today. Everyone is only importing the cells from other countries and packaging them into systems. That is the current status. We don't believe we are far behind anybody in that sense.

Abhishek Jain: So, your market share is intact in the telecom segment?

Jayadev Galla: Yes, in telecom if we look at lithium-ion has started to penetrate in telecom, especially in some of the smaller sites with 5G rollout that would increase to some extent. But otherwise, in the lead-acid battery space, we continue to maintain our market shares.

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

Jinesh Gandhi: Can you indicate what is the current capacity utilization of this 37,000-ton capacity for the plastic parts?

Delli Babu: They are almost around 90% of the capacities are being utilized Jinesh. So, currently, the utilization levels are optimal.

Jinesh Gandhi: And secondly, in the technology of plastic parts, which we have, how future proof it is, with respect to its application, so lithium-ion batteries, the same technology be applicable for use there as well? Or how do we see that?

Delli Babu: See the injection moulding machines, generally based on how you develop a mould and the tonnage capacity that will be there in each machine. It can be definitely repurposed, even for lithium battery pack related plastic components. But as such today, if you look at in our overall battery pack, the component of plastics will be limited. But nevertheless, I would request, Harsha to add.

Harshvardhana .G: Yes, Mr. Gandhi with injection moulding technology, it's always possible to change the moulds and suit the product required. But as we are experiencing with our current pack development, most casing is done in metallics, but as and when suitable plastic casing can be made for different applications, we can definitely take that out.

Jinesh Gandhi: And with respect to shareholders approval, just to clarify whether you need majority of minority shareholders' approval, right.

Delli Babu: Absolutely yes.

Moderator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities Limited. Please go ahead.

Rishi Vora: Just about the plastic business of Mangal Industries. Could you also give us some idea about the profit like EBITDA margins in FY21, and what would be the asset turn of this business?

Delli Babu: The asset turnover of this business is around two and a half times the revenue. And if you adjust for the PPCP price, the business has been making similar level of margins even in the earlier years. Obviously, if you

look at the reported numbers, it will appear higher because the PPCP levels in FY20 and '21 were at a lower level, it was around Rs. 80 to Rs. 90 at those levels. So, naturally that base impact will be there. So, there will be a little bit of higher margins in the earlier years. But on a stabilized steady-state business, it is a business capable of delivering about 16% to 17% kind of EBITDA.

Moderator: Thank you. The next question from the line of Vibhav Zutshi from JP Morgan. Please go ahead.

Vibhav Zutshi: Just wanted to understand a bit more on the synergies on the EBITDA margin side that you highlighted about 75 to 100 bps. If I look at the different cost item lines, you mentioned, there is going to be synergies, even on power costs. And especially if you look at the recent power tariff hikes in Andhra Pradesh, that's something which has gone up. So, just wanted to understand, if I look at different cost item lines, logistics costs, raw materials, power costs, broadly what would be the synergies in terms of percentage points that you can highlight?

Delli Babu: As far as power is concerned, you are right, while the recent duty hike has definitely caused the power costs to go up for all businesses in AP. But with ARBL coming out with its 50 MW ground mounted solar power, and also already we have about 20 MW of rooftop solar power that's existing, the impact of this additional tariffs that has come out is going to partially absorb with these initiatives.

Apart from that, in case of Mangal, earlier they used to have smaller KVA connections. So, obviously when these facilities get integrated into ARBL, we are running the higher KV connections, there is an element of fixed cost absorption happening over there, that itself should give us another 25 paisa kind of saving on the power cost. So, all in all, when we calculate the overall synergies will be in the range of around Rs. 6 crores per annum should be the result of, be it employ cost synergy, power cost and the ability to improve further on the raw material cost side. This Rs. 6 crores number what I have mentioned is on a post-tax basis, so, these are all the areas which should result some more synergies for us.

Vibhav Zutshi: And just how much would plastics be as a total proportion of the raw material costs, I am assuming that lead is like the substantial part, so how much plastics account to be?

Delli Babu: Say around 10% will be in the material costs around 10% will be the plastics component.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: You have a leadership position in the lead-acid space, right. But I mean, in the initial, in one of the previous concall you expressed your desire for a 10 GW kind of a battery cell manufacturing capacity. So, given the fact that there are new players who are sitting up the lithium-ion cell manufacturing space in India, like Reliance or some of the OEMs like Ola and Hero MotoCorp as well so how do you see, do you feel that you are lacking in that space in terms of investments and commitment or any forward journey, roadmap that you can share for the next three to five years?

Jayadev Galla: I mean, when we indicated about 10 GW hours would be the capacity that is an estimate only, once we get into the detailed project execution, you know, when we finalize the technology and everything else, then only we would decide on what our initial capacity would be. In fact, we quoted more than 10 even in the PLI scheme that Government of India had recently floated. There, I think we quoted 12 GW hours.

So, finally, depending on the manufacturing process, and the machinery that we will be selecting, and the product technology that we will be selecting that will determine the final initial capacity.

But one thing we need to keep in mind is that it is a very different industry than what we are currently in. Even though both are batteries, the application is -- and they are both being used in vehicles. The lead-acid battery is only doing the starting and lighting and providing the backup for all the electronics onboard. But this is getting into propulsion of the vehicle itself. And the scale is different, the technology is different, the manufacturing process is different, only customer base remains somewhat similar. So, that's where we have some synergy with our existing business.

But we would be competing with very different people as you rightly said, the likes of Reliance and Tata's and other big corporations are all eyeing this. Earlier our competitors were a different list, going forward with lithium, our competition would be a different list.

So, having said that the demand is only a projected demand at the moment, the conversion is only a projected conversion at the moment, you know moving to Electric Vehicle. Today the volumes are still very low, in India, in spite of all the announcements being made by many manufacturers, it is a very small volume. And if we invest ahead of time, I think that would also be very wrong. So, I think the timing of the investment also needs to be carefully planned out. Especially the scaling up has to be carefully planned out where there should be a real demand coming up, we should be able to see the demand before scaling up to any huge scale, otherwise it becomes a non-performing asset. And we have seen industries where people have invested too early or unviable

investments, where they become NPAs. We don't have any intention to become an NPA.

Shashank Kanodia: What's the normal gestation period from the timeline wherein you decide to step up a project and actually comes on stream for electric capacity of roughly three to five GW are?

Jayadev Galla: About two years. And that would be, as of now, nobody has grounded or started construction of a manufacturing plant for lithium-ion in a giga scale, that I am aware of. It's only been announcements that have been made, nobody has actually started the process of constructing a plant.

Shashank Kanodia: And you plan to go it slow, or still you are looking for some technology partner in this space?

Jayadev Galla: We are looking for a technology partner. We are in the process of that.

Shashank Kanodia: Any timeline that you like to strap to it as in, when can we have some tangible things to talk about in this space as in six months, 12 months or?

Delli Babu: No, we wouldn't want to put a timeline on the table. As you know, the products that are required for the market, the way the Indian market is evolving is also changing. That's the reason as you are aware, we have been placing those strategic bets in some of the startup ecosystem where we are in a position to tap those technologies as and when they are required for the market. So, while there is a broad strategy in place, putting a deadline for any of these capital commitments, at this point of time, is not something that we would like to comment on, but definitely as an when a decision is taken in terms of form factors and chemistries, will certainly come back and let you know.

Jayadev Galla: Also one more thing I would like to add on that, and then we can move away from EV subject. Is that if you look at all the announcements made today also by various people and the capacities that they plan to bring or are planning to establish is still lower than the projected demand by 2030.

Shashank Kanodia: We are investors with Log 9 Materials.

Delli Babu: Yes.

Shashank Kanodia: So, what is the present stake and what was the valuation at which the last equity raise happened, if you can help us with that?

Delli Babu: I think we will take that question sometime later, Shashank. I will be in touch with you on that, because this call we have scheduled for a different purpose, I guess. So, we will come back to you on the details later, please.

Moderator: Thank you. The next question is from the line of Jaiveer from Dhingra Metals. Please go ahead.

Jaiveer: Could you please highlight on the shareholding which has increased with the swap which has happened, and how it's going to benefit the shareholders?

Delli Babu: The overall increase in the promoter side shareholding will be about 4.8%. And this has been done on a relative valuation basis, both the demerged undertaking in ARBL have been independently valued by two valuers considering various approaches starting from market price to income approach. On a relative basis if we compare the valuation of both the businesses, the P/E multiple of the demerged undertaking will be at a discount of about 25% compared to that of ARBL.

So, as I was mentioning earlier, this being a very independent and transparent exercise that we have undertaken, this will be margin accretive as well as EPS accretive from the word go. In that sense, it should benefit all the shareholders in terms of their value addition.

Jaiveer: And how much are we expecting the EPS growth?

Delli Babu: The EPS should increase based on the estimates that we have done. It should have at least a 2% increase on the EPS.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Delli Babu for his closing comments.

Delli Babu: Thank you all very much for your time and all the questions that you have asked, I just would like to reiterate that the whole exercise has been done in a manner that is going to be value accretive for all the stakeholders in the business. And we expect this to help us in improving our cash flows and further improving the business profitability. And thanks once again for all of your time. And thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Kotak Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

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