"Amara Raja Batteries Limited 4Q FY2017 Post Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Amar Raja Batteries Limited 4Q FY2017 post results Conference Call hosted by Spark Capital Advisors India Private 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 operation by pressing "*" then "0" on your touchtone phone. Please not that this conference is being recorded. I now hand the conference over to Mr. Mukesh Saraf, thank you and over to your Sir!

Mukesh Saraf: Thanks Aman. Good afternoon everyone. On behalf of Spark Capital I welcome you to the 4Q FY2017 Earnings Call of Amara Raja Batteries. We have with us today the management team of Amara Raja represented by the CEO Mr. Vijayanand, CFO Mr. S.V. Raghavendra and the Treasurer Mr. Delli Babu. Mr. Vijayanand will now take us through the highlights and Mr. Raghavendra also can give quick opening remarks after which we will open the floor for Q&A. Over to you Sir!

S.V.Raghavendra: Thank you Mukesh. Good afternoon to all of you. Thank you for participating in this call today, the Q4 earnings call of Amara Raja Batteries. The financial results are there with you; you must have done the analysis required. You have seen that the accounts are prepared under the new accounting standard Ind-AS that was applicable from April 1, 2016. The gross sales for the quarter have been Rs.1526 Crores against last year of Rs.1296 Crores, we have seen almost 18% growth in topline, and it was very healthy. The growth has mainly come from automotive four wheelers, inverter batteries as well as the exports we have seen a good trust. On industrial side the growth has been little subdued on account of various market conditions. The overall sales mix has been about 40% industrial and 60% automotive. The profit after tax showed 99 Crores as against 109 Crores of last year, there has been a dip of about 9% mainly on account of the lead prices, the raw material prices have gone up significantly in the third quarter and fourth quarter as there has been a lag in passing on some of these price increases to the customers. With these opening remarks, I would like to introduce Mr Vijayanand who is the CEO of the company. He has been with Amara Raja for quite some time, he has got a very thorough understanding of the battery business and he has taken over as CEO from April 1, 2017. Over to you Mr. Vijayanand!

Vijayanand: Good afternoon ladies and gentlemen. I am Vijayanand and I am pretty glad to get connected with all of you. Thanks Raghav for the brief introduction. I have been part of this group for quite some time now and has been involved with the battery business in various roles with the previous assignments. As Raghav said I took over the role of CEO for the business starting from April 1, 2017, so technically we are reviewing a period that I was not involved with the business, but I would hope this discussion provides insights as to how we are looking at the business environment and our plans as we move forward in the current financial year.

Just to give some quick highlights…. We have had a pretty good run on the automotive side of the business both on the OEM as well as in the replacement markets. Both our brands Amaron and Powerzone have done exceedingly well on the four-wheeler and two wheeler markets. If you look at the overall OE market, we have a moderate growth of about 6% on the vehicle production, but the good news is that the passenger car market has grown at around 11%, so we have seen clear signs of revival on that front. Even the April numbers that have come up from last month have shown significant growth on the passenger car segment. We have grown faster than the market on the OE side against overall vehicle growth of about 6% last year. We had higher growth at around 12% on the OEM sales and similarly on the two-wheeler sales we had strong growth. We see more potential on the two-wheeler side as the expansion of capacity will provide opportunity to get into new accounts.

If you look at replacement market growth rates, it has been healthy. While the four-wheeler market grew about 7.4% in our estimate, our own growth has been twice of that…close to about 15%. So that is a good sign for us that we are able to continue to gain market share on the four-wheeler side. The story of significant growth…accelerated growth continues even on the two-wheeler side. The market grew at around 12% in the two-wheeler segment. In replacement segment we have experienced close to 20%. So the overall growth story in the automotive side has been pretty strong.

In the industrial battery business, we have had pretty good start for the year, did very well in H1. As we moved closure to the later part of the year, thanks to couple of developments - one is about the Telecom Industry is getting restructured and then the lead price is going up - we have seen certain challenges in Q4 both on the volume front as well as on the contracts that we have with the Telecom Tower Companies. We will speak more about that as we discuss.

Just a little insight about the capacity expansion that we have been implementing. I think if we were to look at the last two to three years horizon, We have done some good work on increasing our capacities where opportunities are there. So the capacity expansion on automotive, both four and two wheeler has helped us get ready for the growth that we have experienced. The new plant that we are operating now on the Tubular also gives us flexibility in terms of offering our products for various applications starting with home inverter batteries, the E-rickshaw application, the solar application and, as we go forward, even the Motive power industry. We will talk more about that as we discuss the questions from your side. Thank you very much and now we can open the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer and session. We have the first question from the line of Kapil Singh from Nomura Securities, please go ahead.

Kapil Singh: Hi Sir thanks for the opportunity. My first question is regarding the growth itself, if you could share segment wise growth for the fourth quarter in volume terms as well as revenues and for the full year for industrial segment if you can share that as well?

Vijayanand: I will take that question on the automotive side, I mentioned about full year growth earlier. On the quarterly basis we had about overall growth of about 12% in volume terms in the four-wheeler segment. We had a flat growth in the two-wheeler segment largely ascribable to lower volume throughput on the OEM sales. There has been some impact due to demonetisation on the two-wheeler volumes on the OE side and also to some extent on the replacement market side, so we had a flat quarter on two-wheeler sales in Q4 and we saw significant growth on our Tubular product offering - close to about 29% growth we have seen on the Tubular volumes. This is on the automotive.

If you were to look at the industrial battery business, we had close to about 10% growth on the UPS volume, which is good for us, but if you look at the overall volume I think we had a flat quarter on account of telecom being flat and in Railway business, there have been some deferment of volume shipments. It is a not a last opportunity, but a deferred shipment. So if you net all of that, we had a flat quarter on the industrial volumes.

Kapil Singh: Sir, within four-wheeler what is the break down between OEM and replacement and same for two-wheeler that you have?

Vijayanand: I think it kind of evens out. We had a 12% growth on OEM. The replacement market in various brands and channels we had similar kind of growth. Some of the volume growth came through the export volume growth as well if you were to add that up. So we had a 12% growth on OEM and a 12% growth on replacement market. On the two wheeler actually we had seen the OEM slowing down, the replacement market grew at around 8% for us, but the OEM was lower by close to about 15% if you were to look at YoY.

Kapil Singh: I think that would be below industry so we have lost market share there?

Vijayanand: Actually our presence in the segment is relatively smaller on the OEM side. If you were to look at the two wheeler, we had in the lower double digit percentage because we have not entered all the customers significantly as of now. I am not able to exactly look at whether there has been a loss of volume. Probably the customers that we were involved with had a lower volume offtake during this quarter so that would have reflected in our sales and we were looking at entering into the other segments. Hero is one major account. We got all approvals done now and that would get started, but that did not impact our Q4 if you were to compare YoY.

Kapil Singh: Sir, secondly I wanted to check on the new segments for the company, if you could help us understand over the next two three years, what are the new segments that company is looking at and especially if you can give some comments on how do you guys think about Lithium-ion technology, we have seen Suzuki setting up or announcing to setup capacity for Lithium-ion battery as well as globally there is a big focus on E-vehicles. In India I do not know how it will evolve whether E-rickshaws will move to Lithium-ion or they will continue to remain on Lead-acid, but some of your thoughts on that segment as well please.

Vijayanand: I think that is a very important question. I am sure many others would get benefited by way of response to this because you brought up the right point. In terms of emerging opportunities, new applications, new technologies, we have been pretty closely watching this. Let me first touch up on the subject of Lithium before I get into other opportunities here.

The quantum of discussion about electrification of vehicles have changed over the last few months. There has been a lot of talk about hybridization of vehicle platforms starting from micro hybrids to mild hybrids to plug in hybrids. There is very little action that is being seen in the Indian context though there is some amount of research and developmental efforts that have gone, but the contents of these discussions have changed over the last few months. So we are very closely watching the development in that front. Globally, yes there are certain markets that have taken probably a much accelerated growth on these applications and hence there will be some impact of those technologies flowing into India, but our view is that - yes, there is no specific direction in which we can all bet and say this is how the market is going to evolve - but as a company we look at probably some of the segments where electrification will be adapted relatively earlier than others. That would be probably the three wheeler segment. We have already seen E-rickshaws being there, maybe there will be a lot more vehicle development work that will happen to make the market grow faster and also the last mile connectivity of majority of the metro networks in each of the cities could see deployment of e-commuting facility in the last mile connectivity. When it comes to individual ownership of electric vehicles, passengers or purchases….our considered view is they are probably a little far away from now.

Now, coming to our readiness to address these segments we are closely evaluating the opportunities here… looking at what is the right way of investment into these segments, what kind of technologies that we should adopt, it will be too early for us to make any specific comment at this stage, but it is suffice to say that we have discussions with potential sources of this product in terms of technology, Johnson Controls is in the Lithium-ion space, so if the opportunity in India emerges to be real I am sure we will have interesting dialogue around that to how to bring the technology here and we will be accordingly introducing the product. We have strong OE relationships, there are some discussions going on with OE customers on vehicle development programs and we will be participating in that and we are also having a seat around the table on many of the government policy discussions. That is on the Lithium space for the automotive.

Another area that is emerging as an interesting candidate is the renewable energy space, the energy storage applications. I think that could be very closely watched, there have been important discussions happening on that space with the large ultra mega solar power parks that have come up of late and continue to grow. We know that the government has actually shifted almost 20 Giga Watts of solar capacity into solar parks…sensing the success that has been seen in the last three years, so energy storage for the renewable sector integration could become an important application. We believe Lithium has a space there, but that space also offers opportunities for advanced Lead-acid battery systems and couple of other chemistries as well whether it is Nickel-Zinc, Zinc air technologies that we have been evaluating. These are pretty nascent stages, but more active discussions are happening, so we see that this is the opportunity for us to diversify technologies and diversify applications. Whether that would significantly ramp up fast enough to impact our financials over the next two years would be anybody's guess, but as a medium and long-term opportunity definitely these are attractive segments that we would be focusing on.

My last comment on this would be on more tangible opportunities here. The distributed energy storage is to increase on the solar sector. We have been working with lot of our customers and shipping batteries for this application, the requirements are getting more consolidated and more clarity is emerging as to what kind of battery solutions are required. The Motive power application is an area that we would be definitely entering. GST is expected to drive some impetus around warehousing and large-scale usage of motive power forklift application. India actually is lagging behind on material handling automation, but we see that next two three years that activity will pick up. So these are specific areas that we see that we have strong opportunities.

One thing that I missed but is very important is the current e-rickshaw market itself. In our estimates we believe that it is almost close to about 1500 to 2000 Crores market where largely Lead-acid batteries are being used right now. We have started participating in this market and we are also working on interesting products and business models for that application.

Kapil Singh: Thanks for the very detailed reply. Just wanted to check how much of our revenue comes from e-rickshaw segment currently?

Vijayanand: Right now relatively small, if I were to put a number that would be probably about 2% of our revenue right now company as a whole.

Kapil Singh: Thanks a lot. Thank you so much. I will follow up in the queue.

Moderator: Thank you. We have the next question from the line of Jinesh Gandhi from Motilal Oswal Securities Limited. Please go ahead.

Jinesh Gandhi: Hi Sir! My question pertains to the competitive intensities in our major segments, primary replacement, telecom and UPS inverter, over last couple of years have we seen any materials change in the competitive intensity and/or positioning?

Vijayanand: Let me first address telecom. Except for the last few months there has not been much change if you were to look at it in two years' time span, but if we were to spend time over the last three to six months' time span we all know that the entry of Jio in the market has definitely disrupted the financial revenue models of Telco and since Telco's operate on the backbone of tower companies there has been definitely certain amount of relook at the cost structures and cost models on the telecom tower companies. Added to that if you look at the lead price going up from what it was earlier around $1800 to $2200 that adds little additional challenges in terms of how we work with the tower companies. We have had pretty strong longstanding relationship with the tower companies so we are working collaboratively with them to see how to offer value proposition to some of their cost structures. There is a short-term impact that we have seen in terms of lower volume offtake, but if you were to say competitive intensity I do not think on the ground anything significantly has changed.

Jinesh Gandhi: But on telecom itself, is there increasing competition coming from Lithium-ion that Jio getting more and more aggressive, trying new technologies would already be a competitor for telecom batteries right now?

Vijayanand: I would like to look at this question this way. We have close to about 4.5 lakh telecom towers. If at all there is an addition of new telecom towers it is happening more because of Jio expansion. The existing tower base has not been growing significantly, so if you were to focus the question about… is the growth in telecom tower base driven by Jio the answer is yes, but that is still in single digit numbers as % of installation base of existing telecom towers. The significant amount battery deployment is happening in, what I can say as up gradations to support increasing tenancy ratio of tower companies. Upgradations are continuing to happen with Lead-acid and replacement demand is sustaining there and we continue to cater to that replacement demand, so net-net, yes, Lithium is adopted by Jio purely based on form factor requirement, based on how their towers are designed, but the existing base of all other tower companies do not have significant addition of Lithium and I do not see that is being increased significantly now and lead-acid continues to be the preferred solution there. So if you see last two-three years we continued to have growth in the segment, we continued to have strong supply arrangements on that segment, even as we look at the current year we still had a growth of close to about 7% on telecom, which is more than the market growth itself.

Jinesh Gandhi: The market share would have been stable at 48% to 50%?

Vijayanand: Yes it is pretty stable.

Jinesh Gandhi: Sir competitive intensity in replacement and UPS converter segment?

Vijayanand: I think there is not much change that we have seen on the UPS segment. UPS sector operates on its own dynamics in terms of OE relationships and the channel sales that we make, replacement batteries. One observation I would like to make definitely on the UPS side is that over the last two-three years the percentage of imports that have been coming into this country has significantly gone down on the UPS side, which I believe is the reflection of the domestic player strength and competitiveness in catering to the domestic demand I think we got benefited by that and we have seen consistent growth in our UPS volumes over the last two to three years. My observation about lead rate is going up and hence making sure that the contracts are adjusted for the revised lead prices. Some of the UPS OEM's they have a little longer-term commitment to their customers so three, four-month period, so it takes a little time to renegotiate that and pass on the lead cost increase in that segment unlike in OEMs, unlike in tower companies where the PVC terms of the contract get automatically operated, sometimes in UPS we expected it takes a little longer because of their business cycles, but beyond that there is not much of an impact on the UPS side at this point in time.

We have to specifically look at after market replacement in automotive sector. As I mentioned in my opening remarks that is a positive growth to refer us. We are looking at the horizon over the next two to three years. We know there has been a subdued volume growth on the OE sector in the last two to three years so you would probably see that the replacement market demand would be closer to the high single digit number or just about touching 10%, but we have been growing faster than the market, this is based on various brand strategy we have in unorganized sector market, expanding our distribution channel, have better reach in segments of the domestic market where we have probably not much of a stronger presence in the past. All of that is helping us to continue to stay ahead of the market growth.

Kapil Singh: What would be a market share in replacement automotive of four wheelers and two wheelers both?

Vijayanand: Yes, we have a market share of close to 30% in the current year, we closed in FY2017 that is a 2% gain on the market share on the four wheeler side and we are close to about 32% on the two wheeler side for replacement market.

Jinesh Gandhi: And again there would be some gain?

Vijayanand: Yes, the numbers that we have is about 2.3% gain on the market share.

Jinesh Gandhi: Right and coming to the pricing action, which would have taken since in November when lead prices have started going up can you indicate what kind of price increases, which we took in all the key segments, automotive, OE replacement, and UPS inverter, telecom you indicated there is no increase so far, so other segments?

Vijayanand: Yes. There are customer contacts that have tie-up with lead and forex, so those things happen automatically depending upon M-1 and M-2, quarterly average whatever is the formula that we follow from customer to customer. The key pricing action actually is more to do with the replacement market and we have taken multiple pricing actions over the last six months with cumulative price increase of close to about 9%-10% in the replacement market. At this point in time, adequately concentrating the increase in lead we are pretty closely watching the trends and would not hesitate to take similar pricing actions if lead price is to continue its upward trend.

Jinesh Gandhi: So significant lead cost pressure, RM cost pressure, which we saw in this quarter that is the reflection of delay in price increases in telecom and say UPS inverter segment, is there also any impact of mix in this?

Vijayanand: It is a combination of things. I would like to put probably three points here. You are right when you said about delay I would rather call it as lag, sometimes it takes a little time to roll over the price changes. Two, there is a mix impact particularly Q4 some of the OE contracts where the year-end volumes ramp up a little that would indicate that the mix is more towards low contribution part numbers on account of OE and three would be also related to the increase in our tubular volume sales that we have achieved due to the seasonal impact and that would also have certain impact on that, so it is a mix of issues I believe that this the transient phase and we should be able to get stability on that once lead price has come down.

Moderator: Mr. Gandhi we will request you to join the question queue for any followups as we have several participants waiting for their turn. We have the next question from the line of Arjun Khanna from Kotak Mutual Funds. Please go ahead.

Arjun Khanna: Thank you gentlemen for taking my question. Just a followup on the raw material prices. So on a normalized basis going forward what level do you see this number settling at in terms of cost of goods sold?

Vijayanand: Historically we have seen this cost of raw material with sale in the range of somewhere around 65%-66%, now of course this percentage will change when lead goes up or down because it is a mathematical correction that need to be done, so we would like to see the numbers setting down around 65% plus minus couple of percentage points there. It would be of course impacted with the mix and various other factors, but here as an average that would be a good number.

Arjun Khanna: For this quarter Sir, just trying to understand that the numbers you mentioned are in terms of the mix, in terms of two wheelers that the OEMs were down and in terms of four wheelers we saw that the growth in volumes where two wheelers and four wheelers were similar even then we saw a sharp deterioration in margins, so if we break up the business for automotive and industrials on a sequential level how did these numbers move from third quarter FY2017 to fourth quarter FY2017?

Raghavendra: From FY fourth quarter lead prices further shot up by about $2300 was the peak in the end November and early December and in January it started coming down to around $2100 and this has been reflected in the sale prices also, but in the fourth quarter being the inverter season our manufacturing plant, which was producing the Tubular batteries for inverters that had also started ramping up, so therefore initially we had seen a slight increase in the material cost consumption there and that got stabilized to a set of the quarter, so therefore you see the raw material consumption in the first stage of season is slightly higher compared to earlier quarters.

Arjun Khanna: But if we just compare, you do not share that number, but if you just have to compare automotive with the automotive in your numbers would we have seen a sharp deterioration in cost of goods sole?

Raghavendra: No, there is no sharp impact. The raw material consumption has been slightly better because of the higher capacity utilizations, but because of the OEM pricing there was some pressure on the margin.

Arjun Khanna: Just a last question on this because of warranty cost we know that, that is linked to the cost of lead, so we would have had an impact in other expenses probably because of this, how much would that impact Sir?

Raghavendra: Yes. As I said the raw material price has touched almost $2100 to $2300 in last quarter, so therefore on a provisioning basis the provision was more by about I would say 0.5% to 0.6% higher provision, but this being only a provision that will get reversed when the raw material prices come down and now the raw material prices are showing a downward trend.

Arjun Khanna: Right. Thank you so much and this has been most helpful.

Moderator: Thank you. We have the next question from the line of Mr. Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Thanks for taking my question Sir! Sir just on the pricing part you mentioned that you have taken approximately 10% price increase that could be including the price increase taken in February and March as well and effectively how much of this 10% would have been already effective in Q4 and subsequently how much would flow in say Q1 going forward?

Vijayanand: I think I do not have the data on how we have taken those things at various levels, but we have taken pricing action starting from November and we have been doing that at a very frequent rate.

If I were to guess a number here probably two thirds of the pricing action was completed in Q4 and we continue to do that in April and May as well.

Jay Kale: How could you see the unorganized battery market especially in the, so when you say you gain market share in the industry grown by 7% to 10%, have you seen the unorganized battery market especially in the automotive segment and second thing is that your growth rate say in the last several quarters was may be in automotive side upwards of 15% to 20% odd also in certain quarters, now that coming to 12% is that a function of only the demonetisation impact and that coming back to normal or are you seeing the replacement automotive market kind of slowing down after an extremely high growth rates in the last two years?

Vijayanand: You are right. I think the market itself is going down by about 3-4% points from about 11-12 to close to about 7 to 8% now. Normally the replacement market is impacted by the average of OE growth over the last two three years because that is the replacement cycle for the battery. So the battery replacement potential as we normally look at is impacted based on how the OE market has grown. So you would see that probably the market growth would be subdued around 7-8% on the after market side and that will get reflected in our growth as well. I think our endeavour has been always to stay ahead of the market growth and so far we have been able to maintain that consistently ahead of the market growth almost by about 13% to 15%. So when you see that the high growth rates of 18% to 20% have now kind of moderated to close to, year as a whole if you see we still have close to about 16% growth is the number that we have for the year, but on quarterly cycles yes there is some momentary impact, demonetisation had more on the two wheeler I would not say that it had impact on the four wheeler, so quarterly there will be some disturbances, but I think we as a management team do not look at quarterly market share changes particularly in the replacement market you would not get a very authentic number every quarter you need to make sure that you consolidate all the inputs from multiple sources so be focused more on annual market share changes.

Jay Kale: Sir this is my last question. You mentioned that you had 29% growth in your tubular battery segment, but that could obviously be on a low base and there would be certain trading revenues would have gone down, so if I have to see the overall home inverter battery segment for you in Q4 how much would that have grown or may be declined, any number on that?

Vijayanand: You are talking about the market?

Jay Kale: No, for you the inverter battery market including the trading as well as the manufacturer and the market effect all you have?

Vijayanand: If I take Q4 per se we have grown by about 13% in the home inverter market, year as a whole we have grown by about 25%.

Jay Kale: Would the season market started off I mean is it on a subdued note versus last year January to June is the inverter heavy battery?

Vijayanand: The seasonal growth this year seems to be around 5% to 7%.

Jay Kale: For the market?

Vijayanand: Yes, it is more flattish, but some of the growth you need to look it from a regional perspective because we know that the power situation is not homogeneous across the country. So there are markets where the growth rate is slightly higher, but if I have to average out for the whole country we could be more a little flatter compared to the kind of growth that we have seen in this market in the past.

Jay Kale: Great. Thanks and all the best.

Moderator: We have the next question from the line of Mr. Ashish Nigam from Axis Capital. Please go ahead.

Ashish Nigam: You had shared your market share and replacement 30% in four wheelers and 32% in two wheelers if you can just share how that has grown over the last three four years and also you can share similar number for the OEM segment as well?

Vijayanand: We have grown as I said year-on-year by about 2% points on an average between both the segments four wheeler and two wheeler and our growth on two wheeler has been more accelerated because we have entered into this market about 10 years ago, in fact the actual momentum picked up about 5-7 years ago so definitely our market share growth rate has been much more accelerated on the two wheeler. Four-wheeler I would guess probably we were getting about 1.5% to 2% market share growth consistently year after year over the last three to four years.

Ashish Nigam: And the similar numbers for the OEM segment please?

Vijayanand: As I mentioned, our presence at this point in time in two-wheeler is about 12% market share unlike four-wheeler, two-wheeler markets are more consolidated as OE player. We are looking at entering in to other accounts and when we enter in to a new account like Hero for example market share will jump up significantly, so we have been growing, but once we get in to new market that will substantially grow further. On the four wheeler side you are right we have been picking up those couple of percentage points similarly, I remember four years ago we would have been more like 23-24% on OE market share. We are now close to about 35%.

Ashish Nigam: 35?

Vijayanand: Yes.

Ashish Nigam: Also there has been this price differential and replacement between you and Exide how is the price difference trended and would we plan to bridge that difference at any point?

Vijayanand: We look at Exide versus Amaron because when we talk about Exide and Amara Raja we need to look at which Brands we are really comparing here. The two premium brands out there are Exide and Amaron. I think at the retail price level depending upon how the dealer schemes, and the discounts by the retailers are offered we are pretty much on par may be about 2-3 percentage points on different part numbers that Amaron pricing has been always pegged closer to that premium brand pricing. Price movement of what we have taken as well as what competition has taken have been relatively in line with how the lead price has moved. So there is no significant deviation on the relative pricing in the markets of the end consumers.

Ashish Nigam: Is there a trend or an expectation you believe if let us say lead prices cool off significantly from here, would the industry pass on this benefit or retain it in the replacement market?

Vijayanand: We have been moderating and passing it on because obviously that is the competitive nature of the market and the speed at which you do when it is ramping up and when it is ramping down would differ and eventually when lead stabilizes at particular level the market price stabilizes equivalent to that particular lead base. I have not seen any situation where we were under stress not to be able to pass on in the replacement market, nor we were able to retain the price for longer periods.

Ashish Nigam: Just lastly if you can give thoughts on GST. People are gung-ho that GST in really at the battery space because of the unorganized share. How much of the opportunity is there in terms of how big is unorganized right now if you can just share some percentages?

Vijayanand: I think on the positive note we would expect that our inroads into unorganized market shares could only get accelerated by GST that is where we look at it. Again you need to look at whether it is passenger car segment or trucking segment or the tractor segment. I believe there is much bigger opportunities in the trucking and tractor segment for us. Same would be the case with home inverter segment where cash purchases have been made today. I think we would get some advantage in terms of price parity. We also need to look at the logistics consolidation that is likely fall out of GST in terms of the distribution model. So, we are sure that the space for organized sector will expand with the GST. We have done some impact analysis of how the whole cost structure model and the distribution model will get impacted. I think typically the battery industry would not have significant positive or negative on the cost structure model for GST. I think the positive outlook is about the market expansion and organized sector access to the unorganized markets. Today we see that trucking segment is almost 50% unorganized that is the biggest opportunity, same is the case would be mostly the other markets as well.

Ashish Nigam: Sir largely trucks and tractors and may be two wheelers, four wheelers is still largely unorganized?

Vijayanand: Passenger car segment I think more than 80% is organized. That shifted over a period of time. I know when we got into the market 20 years ago it was more like 45%-55%, 55% was still unorganized, but the way the distribution structure has changed, the way the vehicle sophistication has gone up I think typically passenger car segment has moved into organized sector much faster than the other things.

Moderator: Mr. Nigam I would request you to join the question queue for any followups. We have the next question from the line of Mr. Shrinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Shrinath Krishnan: Good afternoon Sir, thank you. Sir in your initial comments you mentioned that you would like to diversify in terms of technology with different alloys like nickel cadmium or other things, so have you firmed up investment plans for those Sir and secondly you also mentioned that new normal growth rates in the four wheeler industry replacement market to be close to about 8% to 10%, so will that also be to in terms of margins per se getting back to that margins that used to operate historically closer to 14-15% margin levels, would that be also the realistic expectations going ahead Sir?

Vijayanand: There are two parts of this question, the first one we have not yet have any formal investment approvals for the new technologies. It is more at the developmental stage at this stage. The second question is more about the market growth rates, the automotive market growth rates and margins I think it would be fair to assume that the automotive business margins would be stabilizing at around 14-15% that is a fair assumption to make, but we will also have to look at as the demand growth coming because if we start kicking in for the demand against the replacement market couple of years from now, so these cycles will continue to be happening and at this point of time the demand supply gaps need to be looked at. I think the industry has responded pretty robustly to these demand cycles and we believe that there is good opportunity in the medium and long term for growth in automotive sector.

Shrinath Krishnan: Sure, but in terms of industrial segment also Telecom not much growth happening blended company per se company margins would be in the range of 14% to 15% going ahead or what are your thoughts Sir?

Vijayanand: I believe we always taken a view that the EBITDA margins are more sustainable in the bandwidth of 14% to 16%, so I would agree with that statement.

Shrinath Krishnan: Thank you.

Moderator: Thank you. We have the next question from the line of Mr. Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: Yes thanks a lot for the opportunity Sir. My question pertains to whatever you have said on GST and shrinkage of the unorganized market and along with that the segmental views what you shared given all that can we expect that FY2018 should be a better year for growth at the topline level given what have we seen in the last two years in terms of where the growth rate has kind of subdued and your outperformance over Exide the market leader has been kind of narrowing down, also how should one look at your topline growth in the next couple of years Sir?

Raghavendra: GST is still to be rolled out hopefully from July 1 it gets rolled out and by the time the full impact of GST will be known it may be definitely 1.5 to 2 years not before that. Parallely we expect the unorganized market to shrink gradually, but did not happen overnight. There are many players in the unorganized sector who are capable of getting into organized sector, so therefore to expect that unorganized sector will completely vanish, will not be a reality. Having said that we as management will always endeavour to go to topline and compete fairly in the market.

Pramod Kumar: Yes, but Sir I presume given the price increase what you have taken in the second half of the year the volume growth clearly is in single digit for you is that understanding right for FY2017?

Raghavendra: Volume growth has been quite good.

Pramod Kumar: For the whole year all the segments put together?

Raghavendra: Yes, for the whole year automotive segment has grown by about almost in very high double digits and two wheelers also grown in high double digits, our inverter business also has grown significantly, so we have seen a full year growth very strong double digit growth in auto sector whereas on the industrial sector yes it has been a single digit growth, but we still have grown.

Pramod Kumar: The outlook for pricing in Telecom sector Sir because you said competition probably is increasing and the customers are kind of re-looking at the cost structure and expansion?

Raghavendra: Yes, customers are definitely re-looking at the cost structure because of the disruptive activities are going on in the market, but it will have to stabilize over a period of time.

Vijayanand : If I was to step in and just present a perspective a long-term 20-year view of Telecom both from the operators, Telco, and the component suppliers the industry has always rediscovered the business models. In my view considering the engagement we have had with our customers for long I think we are going through another rediscovery of the business models and the financial models. Considering the strong relationship that we have we are in close discussion I do not at this point of time see a huge threat in terms of margins in that segment. Yes there will be some amount of consolidation that will happen on the operators side, we already see some level of consolidation happening around the tower company side and I think it is fair for me to say that Amar Raja has always got benefitted when you have stronger consolidated customer base because it helps us to present much more value added solutions to them and that is the route in which we are going to take. I would probably not be able to say much beyond that right now, but we are well positioned to deal with this situation and we will continue to engage with the customers on this.

Pramod Kumar: Thank you Sir and on electric vehicles given the fact that you will rely on Johnson Controls for the technology as and when that happens will there be a relook at the John venture structure because Johnson Controls investor relations have shared in the past that as and when they have to bring in any advanced technology for India including punch grid they may have to relook at the equity ownership structure, so any thoughts on that and what could be the likely timeline Sir?

Vijayanand : I am glad you brought up that point. At this point of time, the current partnership structure does not have incorporated the Lithium technology that I just like to remind ourselves that it is about 20 years of relationship that you had and you have consistently done well in this market and Johnson Controls is very positively disposed off our future plans whatever it takes to see that we have access to some other relevant technologies for the Indian market we would be discussing with them they are positive and they would like to see how to help the business in India grow. Specific to punch grid technology yes there are options available for us and we will be deploying that and we will work through with Johnson Controls to see what changes are required to be able to get that technology to India. I would not like to make any comment right now on any specific timelines from that at this point in time.

Pramod Kumar: Thanks a lot Sir and best of luck.

Moderator: Thank you. We have the next question from the line of Mr. Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir when we look at the Telecom market I think the industry had a very low margin around FY2011-2012 or before that for some period of time then we saw that some of the players exited the market. Again we saw a good margin improvement over last four five years, so is it a cycle that we are entering the margins are again going to be lower because competition also is increasing looking at a higher margin that probably we need over last few years, so can we have a longer duration of lower margin cycle in Telecom?

Vijayanand: There are two ways to look at it, one yes if we continue to operate the current product offering and the current solution there will be definitely rediscovery of the margins there. In the industry we have seen cycle as you rightly said. One way for us to deal with this is to engage with the customers to look at going beyond product supply as a solution if you were to see some of the observations that we would have made previously we have looked at end-to-end solution as far as the energy is concerned, looking at how customers deal with batteries and how to enhance their value proposition in that, so we are in the process of making sure that our engagement gets expanded beyond product supply and to that extent the margin protection will be an effort from our side, but you are very right in saying that the industry has gone through cycles and we should be aware of that.

Ashutosh Tiwari: Secondly on the Tubular side what is our current capacity utilization levels?

Vijayanand: Capacity utilization levels, the current runrates are close to about 70-75%, but year as a whole if you take last year we were at 50% because we have a slow start in the beginning of the year.

Ashutosh Tiwari: But Sir in many places because power is definitely improving in India we are seeing that there is a sharp downturn in the inverter market now in this year in probably last two months so do we think that actually we can grow that business because the market is shrinking?

Vijayanand: The inverter market per se probably has not been tracking its growth trajectory that we have seen four five years ago, but some insights that we have is that the customers' buying decisions are also shifting from what it was earlier I think customers are tolerating one hour power cut earlier, but for going inverters when there is a longer power cut. Off late I think the input is that people are looking at power back up even if it is just a one hour power cut. But having said that yes the industry is unlikely to track the trajectory of growth that it has seen in the past. One thing that we are looking at is what are the opportunities for tubular batteries beyond inverter application I briefly mentioned earlier about the e-rickshaw applications I think that is very interesting sector to watch out for and the solar segment is another thing, distributed energy storage at residential, commercial, industrial scale that is a definite opportunity that is emerging and these are the two segments that we would be continuing to look for and probably some of the earlier observations that our team has made in the previous call we have created the reasonable amount of fungibility in that plants to be able to deal with other applications such as motive power and other things as and when the product portfolio gets expanded. The capacity utilization on the plant can be kept at healthy level based on the current designs.

Ashutosh Tiwari: Can you share the current capacities of different segment two-wheeler, four wheeler batteries and UPS and what is the ramp up plan also?

Raghavendra: Of the four-wheeler battery side currently we have 8.25 million per annum and we are adding 2.25 million in another one month or so. By end of June we will have another 2.25 so we will have 10.5 million capacity for four wheelers. On the two wheelers currently the capacity is 11 millions and we are expanding by 4 million by March 2018. On the Tubular battery plant the current capacity is about 0.9 million per annum. On the industrial side last year only we have got 1.3 billion ampere hertz capacity and on the industrial UPS and other applications we have about close to 1 billion.

Ashutosh Tiwari: What was the utilization level in the large VRLA battery?

Raghavendra: Large VRLA is about 95%.

Ashutosh Tiwari: Are we not expanding that capacity?

Raghavendra: No, right now no, the Telecom tower expansion is long awaited there is still uncertainty about how many more towers are going to get added. The industry report say that by 2020 the country will have about 5 lakh towers or so, but because what is happening in the Telecom industry right now we are seeing that consolidation is taking place and there could be delays in adding further towers, so we are also waiting and watching as and when the clarity emerges then we also start expanding, but otherwise at least at the current run rate we will be able to meet the market demand and we will not be out of stock.

Ashutosh Tiwari: That means we are not assuming more than 5-6% of growth in Telecom?

Raghavendra: Yes that is right in fact industry has been growing at 2-3% but as we have grown slightly more.

Ashutosh Tiwari: Utilization level in the medium VRLA?

Vijayanand: Medium VRLA is about 80-85%.

Ashutosh Tiwari: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Mr. Nishid Jalan from Kotak Securities. Please go ahead.

Nishid Jalan: Hi Sir thank you for the opportunity. Sir in the four wheeler replacement segment when you say that you have 30% market share is it the overall market share or you are just talking about organized market share?

S.V. Raghavendra: This is the market as a whole including the unorganized.

Nishid Jalan: Sir you have been gaining like 2% market share each year so is it fair to assume that this market share gain is coming from unorganized players who would be catering to value conscious customers so that would be kind of margin dilutive for the company?

S.V. Raghavendra: The growth that we have seen if you were to see we were growing ahead of the market based on couple of branding strategies you would know that there is Powerzone that is catering to certain market segments that have seen certain growth for us. We have set that level it will be probably coming at a lower value preposition in terms of margins that even Amaron there are markets and geographies that we were not very strongly present in the past and that we have strengthened now, so if we were to see the growth rates that we have seen on both brands we have had healthy growths on both and hence the mix margins we were able to protect so far. There are other reasons why unorganized players are shifting and not necessarily that we need to go and compete purely on price basis, if you were to look at taxes segment some times yes you may have to probably offer a low cost product there to be able to get the customer turnaround for the branded product that depending upon your retail format, depending upon your reach you are able to have the market conversion look at even adopting to the premium products, so we have not significantly seen any kind of margin erosion or value preposition being diluted there, but once you talk about tractor and truck segment based on the GST opportunity we might have to look at this carefully to see how that mix with impact will have on the margin.

Nishid Jalan: My second question is you mentioned that there was a negative mix, which also impacted volumes and you said that home UPS has grown much faster so is it fair to assume that home UPS as a segment is a much lower margin business for the company?

S.V. Raghavendra: Compared to the passenger car segment yes.

Nishid Jalan: But in terms of company average margins will it be lower than that as well?

S.V. Raghavendra: No, the company average margins, the tubular product line that we have would be meeting the average margins for the company.

Nishid Jalan: Sir, you mentioned that home UPS has grown at 23% on a YOY basis last year numbers that we have is traded batteries that would be entirely home UPS, which we have around 370 Crores kind of number from your annual report?

S.V. Raghavendra: Last year yes you say 2015-16 or 2016-17?

Nishid Jalan: 2015-16.

S.V. Raghavendra: 2015-16 it was mostly from a trading activity only.

Nishid Jalan: So this home UPS that you have grown in 23% that is largely trading so your manufacturing will start now?

S.V. Raghavendra: No, manufacturing started, this year of the total sales roughly about 50% is from trading and 50% from manufacturing.

Nishid Jalan: So it will increase further?

S.V. Raghavendra: The manufacture will increase further as we said the ramping up of the plant is taking little longer time than expected so in fact in the current year we wanted to discontinue trading to a large extent, but because the plant did not stabilize in the first six months are expected we had to meet the demand in the market we continue to do the trading and towards second half of the year the manufacturing activity picked up, today as Mr. Vijayanand said the capacity utilization in that plant is close to about 70% to 75%.

Nishid Jalan: Sir, my last question is on e-rickshaw, you mentioned that market size is already sizeable 1500 to 2000 Crores, what are the challenges that you will face because these markets are mostly in smaller towns and smaller cities and again the buyers will be price conscious and you would be competing with players who would probably be offering products at let us say 25% to 30% discount to your product so how do you plan to gain a meaningful presence in this segment?

Vijayanand: Yes I will give a quick response to that without getting into details, but I think the consumer is looking for value for money in terms of cost per kilometer. So if there is a way that our product and solution offering can address that requirement of cost per kilometer we can effectively compete there and the business itself is evolving, so it is very difficult to say at this point of time that either the product proposition, the purchase pattern, the vehicle ownership pattern, they are all going to go through a significant amount of churn I believe there will be fleet owners who will come and operate that in a more organized manner and they will look for more engaged value proposition of managing the battery, enhancing its life so that is an evolution that the industry will go through and we will be definitely participating in that process, but as a snapshot if you take it yes it is very fragmented today, vehicle ownership is at individual basis mostly, purchase decisions are pretty impulsive and compulsive some times, so we would not consider the current snapshot is how the industry is going to look like say couple of years from now.

Moderator: Thank you. We have the next question from the line of Sahil Kedia from Merrill Lynch. Please go ahead.

Sahil Kedia: Thank you for this opportunity. Just wanted to get some more clarity around how the brands of Powerzone and Amaron have done in terms of growth rate for the year and specifically in the kind of slightly lower EST category are you seeing increased competition that would be my first question?

Vijayanand: Can you repeat the second part of the question?

Sahil Kedia: Are you seeing more competition on the Powerzone or on the lower price points within the four wheeler replacement batteries or you are seeing exactly on the more premium products?

Vijayanand: Look at Powerzone it has a different distribution format, it is a single layer distribution channel, we have close to 1100 partners out there and that number is growing and the AMARON is a two layer distribution model. We have close to 38,000 retail partners there, so the channel is definitely growing aggressively and as I had mentioned earlier we have reached out to certain geography of the market where our presence earlier will be relatively weaker, so both brands are contributing to the volume growth. We do not necessarily share the split between Amaron and Powerzone segment and yes the segment of Powerzone operates generally the competitive activity is a little stronger, you see quite a few new brands coming on to the market because that seen as an entry level for new players, but I think we have been able to sustain our growth that is the one that probably gave us lot more unorganized market share conversion to our market share growth, so the pricing, the product quality, the fundamental philosophy of Powerzone is that a global quality at local prices, so that has paid dividends for us all along.

Sahil Kedia: Would it be fair to think that if GST prompts a conversion of truck and tractor battery owners towards you guys it would be more on the Powerzone side, which means that potentially the mix within batteries on the replacement side will get slightly more challenging?

Vijayanand: No, Amaron is present in all segments as much as Powerzone is present in all segments. Each segment has a premium brand position and customers do pay for premium brand. The relative mix could be changing. As we see Powerzone is also strong in semi-urban areas not necessarily in rural areas are only in the unorganized market. We will believe both brands will get benefitted by GST.

Sahil Kedia: Last question on my side, you shared market share across segments on the OEM side and on the replacement side, going in to the next year where replacement you said growth rate is going to be slightly challenged and OEMs are doing well, would you look at the business from a market share perspective or on profit prospective and therefore there may be some change in market share required, the question being that are you targeting an aggressive market share on the OEM side going forward, how are you thinking about market share versus profitability?

Vijayanand: One, overall response to that would be that we have maintained a sensible and healthy balance of OE versus after market volume, that is one thing that will continue to guide us but if there are specific opportunities of a new platform launch on a very strategic customer, we would definitely be supporting the customer requirements even which means that there is a little tilt towards OE volume. It would be case-to-case decision that we would make, but would like to see that the OE to after market mix ratio is maintained because that will definitely have a significant bearing on overall margin in the company. If the other point about do we go after market share at some points in time in some geography strategically we do that, but that is not the objective per se.

Sahil Kedia: Thank you Sir! Can you just give us the data of what was your replacement to OE market share for this year Sir?

Vijayanand: This was one-third two-third is typically the ratio that we have in terms of volume.

Sahil Kedia: This is for the four wheeler side or this is overall?

Vijayanand: This is four wheeler, two wheeler it is more like strongly towards our after market because as I said couple of times earlier, we are getting entry into other big accounts and that probably will bring it up, but at this point of time 80% is the replacement volume today.

Sahil Kedia: Can you share the Q4 number Sir, if it is possible?

Vijayanand: No, I would not, the split on Q4 would not be possible to share.

Sahil Kedia: Alright Sir! Thank you so much.

Moderator: Thank you. We have the next question from the line of Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani Hi Sir thanks for the opportunity. Just wanted to go back on the GST question. First of all, like you mentioned that in four wheeler already 80% organized and most of the unorganized opportunity now lies in commercial vehicles and tractors, overall revenue opportunity while commercial vehicles require bigger battery, but the outstanding population is also lower, how does it compare to the four wheeler opportunity, which is already being addressed by the organized segment mostly?

Vijayanand: I do not immediately have the relative data of the revenues on tractor segment, but directionally what you said is right while it is a larger battery the volume and population is being lower and since 50% of the segment is unorganized right now the conversion rates are if they are as expected from GST they get aggressive, the growth rate on that could be relatively higher than the growth rate that we will see in the past in the segment. Quantitatively how it does impact I do not have the impact study immediately available.

Amyn Pirani Secondly, when we say unorganized I mean a lot of this unorganized would also be people who do pay taxes right or is it because I think the thing about GST is that whoever has been saving taxes and hence supplying lower price batteries they are the ones who will probably be get out of the market, but out of this unorganized I am assuming a significant part, I do not know we have a better sense, still some people who are paying taxes they just need to come more into the main stream I guess?

Vijayanand: Yes, you are right. I would say no regional players who probably follow all the organized guidelines, they would see that, for example, material sourcing, they might be selling product on tax payment, some of the input raw materials would come not necessarily within the tax net, so that will be an additional thing for them, including the lead recycling market will have to reorganize itself in terms of how it need to pay within the tax net. Significant portion of the scrap lead handling is today outside of tax net and that is what is the source of most unorganized sector players.

Amyn Pirani Lastly on the industrial business as a whole somebody also alluded that with the improvement in the power situation in the country, which is happening and which could happen continue over the next five to ten years, how should one look at the business because while you may still need a back up the rate of replacement of the batteries may get longer, so, say if the growth rate in that segment has been 10% to 12% CAGR over the last five years, how should we look at the growth rate over the next five to six years on an average?

Vijayanand: I would like to see this both separately from Telecom and UPS prospective. The Telecom backup time workings have not changed in spite of increasing the power availability, what I think they have done is reduced the diesel consumption, earlier they used to switch over to the diesel, but they have been stopping that, which means obviously the battery functional requirement specifications have not changed. In terms of duty cycle and hence faster replacement or a slower replacement, the Telecom application segment is stabilized. Our product will work for about three-and-a-half or four years and that is a replacement cycle that we are looking at in Telecom, it is unlikely to significantly change. As far as UPS is concerned, yes the data centres, some of the large instillations they have re-looked at the sizing of the battery from shorter backup time and hence the size of the battery per se would be lower, but the market growth is compensating that in terms of new instillation. I think that is a fair thing to look at in terms of new UPS instillations or growing compensating for the reduced backup time requirement. In terms of how often they need to be replaced. We have not yet seen its impact, but I tend to agree with you that the replacement frequency might slow down a bit and that might have impact in terms of the rate at which the replacement rates need to grow, but traditionally if you look at the IT focus the digital money requirements many of the digital India initiatives, when we map all these requirements and see the potential requirement on the UPS side, we see that the OE market on UPS should be strongly growing on the commercial and industrial scale, so that should continue to support the growth of the battery market in the range of around 10% to 12%. A long-term view of UPS market growth will be close to about 10%.

Moderator: The next question I would like remind our participants that you may be limit your questions to two per participants. Thank you. We have the next question from the line of Raunak Sarda from Axis Capital, please go ahead.

Raunak Sarda: Hi Sir. One followup, you said that imports the UPS segment has come down but still how big is that number and any specific region from which the imports are still high?

Vijayanand: The number used to be in the range of 32% to 40% five years ago, today it is about 10%. The reason I think there are three reasons. One, China use to be of major source of exports to India earlier for UPS product. Chinese Government has imposed export tax and that made it commercially less viable and later we saw some of the ASEAN countries like Vietnam and Malaysia have been the source of our imports but more than that I guess the after sales service support, the flexibility of delivery at short notice and also working through various service requirements in the network, I think the OEMs over the period have developed certain amount of comfort and the response from the local manufacturer has made sure that there is more and more reliance on the domestic manufactures and UPS batteries.

Raunak Sarda: My second question is on the rickshaw side, I mean are you supplying the just to the OEM's now or we have now a decent in the after markets. Also I mean we saw that these batteries they have been using at recharge, using the old water and acid application, so do we have any new product coming up which is like a sealed product which we did for the two-wheeler segment a few years back?

Vijayanand: We cater to both the OE and aftermarket. The three-wheeler OE right now is pretty fragmented. We expect that to probably get consolidated and the vehicle design itself is likely to get upgraded as volume moves in that segment but we do cater to both replacement as well as the OE market. We do recognize that there are significant opportunities for product improvement and we are working in that direction and will be working closely with the OE manufacturers to look at both functional requirement as well as form and fit of the battery in the vehicle to the extent that you do not necessarily need to charge the battery while the battery is in the vehicles. You might want to look at swapping the battery as a module so that vehicle can be on the road most often, make sure that charging requirements are catered enough to protect the battery for longer life. There are multiple such opportunities that are available in that segment.

Moderator: Thank you, so the next question from the line of Deepanshu Madan from Locus Investments, please go ahead.

Deepanshu Madan: Thanks for the opportunity. Just wanted your help if you could just touch upon your revenue breakup for this full year this year FY2017 versus FY2016, between auto and industrial and then within auto, what would be two-wheeler, three-wheeler or four-wheeler versus two-wheeler and similarly within industrial what would be telecom UPS and others?

Raghavendra: No, this data and all I think we can respond to you by mail, maybe you can ask my colleague Delli Babu will be able to answer that.

Deepanshu Madan: Sure, actually I had a similar question on this, so I can get in touch via e-mail?

Vijayanand: Yes, please do send an e-mail, we will respond to it.

Deepanshu Madan: OK. Thank you.

Moderator: Thank you. We have the next question from the line of Suraj Chera from UBS Securities, please go ahead.

Sonal Gupta: Hi, this is Sonal Gupta here from UBS. I just would not understand in terms of the replacement cycle in telecom, I mean, what is the replacement cycle and the size of the market there?

Vijayanand: The telecom replacement cycle is approximately about three, three and a half, four years in that range depending upon the site condition, we have sites that probably are better protected and sites that probably little bit more robust duty cycle. From the market size perspective, I think the market is close to about 1800 to 2000 million AH.

Sonal Gupta: Sorry, could you repeat it?

Vijayanand: 1800 to 2000 million AH. That is 1.8 to 2 billion AH.

Sonal Gupta: OK. I mean in terms of revenues, would there be a market size?

Vijayanand: That would be approximately about 22 billion rupees.

Sonal Gupta: 22 billion. Just again on the UPS side, what would be the size of the market again?

Vijayanand: Just give me a minute I will give you that number. I think the UPS market will be close to about 18 billion rupees.

Moderator: Thank you. We have the next question from the line of Aksh Vora from Praj Financial, please go ahead.

Aksh Vora: Hi Sir. Thanks for the opportunity. Last year I had seen on your annual report. You had been very bullish and aggressive on readiness to lead, so what is your vision in terms of say longer term period of say four to five years where we will be aiming to reach and some sort of idea on how we were planning to reach?

Vijayanand: I think, primarily the focus is to continue to expand our presence in the automative both in aftermarket and OE. Over the last many years, we have seen sustained growth in the market share and that is the direction in which we will continue to grow. The industrial side, in the segments that we participate whether you take telecom or UPS, which are the two largest industrial segments, on telecom, we are a clear market leader and UPS is predominantly a duopoly market at this stage and we enjoy equal amount of market share of almost on a 1% plus minus difference, so, the endeavour is to address those markets that we have not currently addressing and hence we will continue to work on our product offerings to those areas so that our presence can be expanded and strengthen our presence in the automotive replacement market and OE, so all factors put together should help us to close the gap from the market leadership position as it existed and as it exists today. We have been able to close that gap and we will continue to ensure that we will be getting close to the market leadership positions, so that is I think the spirit of what you would have seen in the annual report theme last year.

Aksh Vora: Is there any specific numbers on say revenue front or any profitability to reach by say 20, 21 or 22. As we you seen in past in 2012 you had mentioned in an annual report that you might double the revenue in next four years and you had done it much earlier, so any kind of you see that reaching 2 billion dollar revenue or something like that?

Raghavendra: We would not like to make any forward-looking statements but as management we always endeavour to do best and commit to what we want to deliver.

Moderator: Thank you. So the next question from the line of Deepak Jain from Subhkam Ventures, please go ahead.

Deepak Jain: Sir, you indicated 1500 Crore e-rickshaw opportunity, what could be the value we can put look to tap over the next four years in tractor replacement which unorganized is tapping and truck segment?

Vijayanand: These three segments present significant opportunities for us and the e-rickshaw is an evolving market that is a dipstick evaluation that we have done about the market considering the excitement in that area. I think from the market share prospective, it would be good to be getting close to a double digit market share in the e-rickshaw pretty soon that would be a significant startup initiative. Today we do not have that level of presence in that segment. On the tractor and truck segment, we would like to see that our market share reflects what we have right now on the passenger segment. Even those markets are getting converted more and more into organized sector. So, it would be nice to look at 30% market share in these two segments going forward.

Deepak Jain: Sir the truck and tractor replacement market size, should be larger than e-rickshaw right in terms of potential?

Vijayanand: At this point of time yes, but it depends on how e-rickshaw is going to grow and how the logistics industry will go or how many more commercial vehicles will be added. We have seen commercial vehicles segment typically goes through cycles and will have to look at the next wave of growth on the commercial segment sectors, so if you ask the snapshot current view of that, yes the tractor and trucks segment put together will be much larger market than the e-rickshaw market.

Deepak Jain: Sir, last question just for clarification you said that Exide and AmaraRaja average battery prices, there is not much difference right? Which was earlier we were talking 10% to 15%, so that is leveled out?

Vijayanand: 10% to 15% difference is between brands within the same organization. I am not aware if it ever was 10% to 15% difference between Exide and an Amaron product. It is more in the range of 3% to 5% rather than 10%-15% earlier. Now we have some parity that I think I have seen earlier transcripts also I think there was a discussion about Powerzone and Amaron, Powerzone and Exide. That is where the price difference of 10% to 15% because you need to look at Powerzone in the context of similar brands in that sector in that product range.

Moderator: Thank you. We have the next question from the line of Ashwin Shetty from Ambit Capital, please go ahead.

Ashwin Shetty: Sir thanks for taking my question, from the capex side I have query. You have spent close to more that 4 50 Crores in FY2017, so can you just elaborate on the areas where you have spent this amount?

Raghvendra: See major expansion what we are doing is in the line of two-wheeler battery expansion and four-wheeler battery expansion also is as I said is going get completed by June 2017, next one month we will see the capacity addition there, so most of the expenditure had happened in the last financial year and about roughly 400 Crores of regular capital expenditures is also part of those all capex.

Ashwin Shetty: What should the amount we should expect in FY2018?

Vijayanand: It should be around 400 to 500 Crores.

Ashwin Shetty: And Sir is this affecting anything for technological upgrade like anything pertaining to punch grid technology?

Raghevendra: See we are putting up the two-wheeler battery expansion plant, the total capacity of the plant is going to come up in four phases, and it is going to be about 14 million. So in phase 1 we are going to have three lines giving us four million capacities, this particular plant is going to be with a new technology.

Ashwin Shetty: OK so this is the punch grid technology?

Raghavendra: Which is similar to punch grid technology.

Ashwin Shetty: OK Sir. Thank you.

Moderator: We have the next question from the line Sandeep Manam from Franklin Templeton, please go ahead. Sandeep, your line has been unmuted for questions please go ahead.

Sandeep Manam: Thanks for taking my question. Can you please highlight the export potential for the company and who would be your main competitors in the export market and do you have to build the brand and distribution network like you have done in India in those to the export markets? That is it. Thanks.

Vijayanand: Thanks for asking this question Sandeep. We look at India Ocean rim as a geography where we have economic reach from an export perspective. Indian Ocean rim as we look at the geographies from the Eastern Africa coast to Middle East, Central Asia, South Asia and South East Asian countries. Now when you look at these geographies the competition in each of these geographies keeps varying. For example South-East Asia has strong Japanese presence there where as the Middle East is the mix of imports happening from either Europe or from China or from Asia. Yes we have currently a presence in terms of distribution chennel there and we have our representatives and there the amount of branding and product promotion we have not yet started the way we did it in India but we are working on our strategies to concentrate on what should be the priority with the FTAs that we have with ASEAN that presents a good opportunity for us, specific countries like Indonesia, Thailand, Malaysia have strong market volumes as well as growth indicators from that. The product fit that we have, you know the product portfolio that we hold today definitely present an advantageous position for us in these markets in terms of premium positioning in those markets. So we would be working on strategies. It would be sometime before we do the amount of effort that we do in India in terms of branding and channel development directly by the company but as we keep growing, there will be lot of attention to look at brand development, product promotion, putting stronger channel presence in those areas. Definitely export is at the core of our strategy and we can see that will be probably a good opportunity for us to continue our volume growth.

Moderator: Ladies and gentleman that was the last question. I would now hand the conference over to Mr. Mukesh Saraf for closing comments. Thank you and over to you Sir!

Mukesh Saraf: Thank you. On behalf of Spark Capital I thank the investors and analysts for dialing in today's call. I would like to specifically thank the management of Amar Raja Batteries for taking time out and patiently answering the queries. Sir, would you want to give some closing remarks and then we can end the call.

S.V. Raghavendra: Yes we also would like to thank all the participants, Spark Capital and the Moderator and we have taken your questions and that was quite helpful in shaping up our strategy also and we hope to continue to have this conversations going forward.

Vijayanand: Thanks a lot for all of you for having joined this call. I am getting back into the business and familiarising myself in the business context. This conversation definitely helped me to get insights to what would be the priority areas for the analyst and the institutional investors. We would definitely be interested to continue this communication more frequently going forward. Thank you very much.

Moderator: Thank you very much management. Ladies and gentleman on behalf of Spark Capital Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.