ATHER

May 16, 2025

To	To
National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400051 **NSE symbol: ATHERENERG**	**BSE Limited** 1st Floor, Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400001 **Scrip Code: 544397**

Dear Sir/ Madam,

Sub: Transcript of earnings call pertaining to the Audited Financial Results of the Company for the quarter and year ended March 31, 2025

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is further to our earlier letter dated May 12, 2025 regarding audio recording of earnings call of the Company pertaining to the Audited Financial Results for the quarter and year ended March 31, 2025, please find enclosed herewith the transcript of the said earnings call.

The said transcript is also available on the website of the Company at: https://www.atherenergy.com/investor-relations/financials

Kindly take the above information on record.

Thank you

For Ather Energy Limited

PUJA AGGARWAL
Digitally signed by PUJA AGGARWAL
Date: 2025.05.16 22:21:32 +05'30'

Puja Aggarwal
Company Secretary and Compliance officer
Membership no: A49310

"Ather Energy Limited

Q4 FY25 Earnings Conference Call"

May 12, 2025

MANAGEMENT: **MR. TARUN MEHTA – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – ATHER ENERGY LIMITED**
MR. SOHIL PAREKH – CHIEF FINANCIAL OFFICER – ATHER ENERGY LIMITED

MODERATOR: **MR. NISHIT JALAN – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Ather Energy Limited Q4 FY25 earnings conference call, hosted by Axis Capital. 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference call over to Mr. Nishit Jalan from Axis Capital. Thank you and over to you, sir.

Nishit Jalan: Thank you so much. Good evening, everyone. Welcome to Q4 FY25 post-result conference call of Ather Energy and the company's first call after listing. First of all, I would like to congratulate Tarun and team for the public listing of Ather Energy. In the call today, from the management, we have with us Mr. Tarun Mehta, Executive Director and CEO, and Mr. Sohil Parekh, Chief Financial Officer.

Before I hand over the call to Tarun for his opening remarks, I just wanted to highlight the safe harbor statement. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to the business. After the end of this call, in case anyone has any further questions, please feel free to reach out to the Investor Relations team. Tarun, over to you for your opening remarks, post which we will move to Q&A.

Tarun Mehta: Great. Thanks, Nishit. Welcome, everybody. Welcome to our first results call post becoming a public company. Our deck is already uploaded on all the exchanges, so hopefully you would have received the link for it. I'm going to take about 10 minutes and walk you all through the brief presentation and the key story points, post which we'll do Q&A.

So FY25 was a pretty important and phenomenal year for us at Ather. This was a pivotal year because this is the year we went from being a single product line business to seven products and two product lines with Rizta and 450. This also unlocked strong margins and strong volume growth for the business overall.

At a headline level, and I'm just going to cover both quarter and financial year together. On a full year level, we sold 155,000 units, which is a 42% growth year on year compared to FY24. Total income of INR2,305 crores, which is a 29% growth year on year. The difference is largely down to subsidy and a little bit pricing differential between 450 and Rizta.

Adjusted gross margin for us was a very, very strong story in FY25. The business generated INR428 crores in adjusted gross margin, which is up 172% year on year compared to FY24. This was a very strong lever for us and that's what led to a reduction in losses for us. Overall, AGM adjusted gross margin for us was up 1,000 bps compared to the previous year, 9% to almost 19% and this led to an EBITDA improvement.

EBITDA for the full year was better by 1,300 bps compared to FY24 at minus 23% instead of minus 36%. What's actually very crucial to also call out is that not only is our gross margin improving, as I called out, but particularly when you see our adjusted gross margin without subsidy. So between FY24 and FY25, subsidy changed quite materially. So, the improvement at that level is even more profound. There was an 1,800 bps year on year improvement in adjusted gross margin when you look at it without subsidy being factored in. This is how the overall year rolled out for us. Q4 FY25 to Q4 FY24, units sold were up 35%, 47,400 units. Total income was up 28%, INR687 crores and EBITDA was better by 1,900 bps to minus 23%.

Big operational highlights for the year. We had a very strong year in terms of product launches with Ather Rizta, our new family scooter, convenient scooter making its debut. With three different variants across Rizta S, Rizta Z, LR and HR. This helped reduce our entry price points quite materially from almost 130k with 450k in the past to about 109k.

FY25 also saw the introduction of our smart helmet line Ather Halo and Halo Bit, sales of which have commenced only recently. We also introduced a new software stack called Ather Stack 6, which has seen strong adoption. And I will come to those numbers shortly.

Overall for distribution, this was an important year as we added 143 stores across the country in FY25, adding up to 351 stores total. We added an incremental 1,128 fast chargers across the country, leading to a total charging infrastructure across the country of 3,611. With a focus on service, we kick-started our Ather Gold Service Centers. These are service centers where we bring higher discipline, higher process discipline, better manpower, better training, better turnaround times overall.

So we launched them and I think we have scaled up to maybe about a dozen or something in that range of service centers across the country. We also opened up a second international market with an expansion to Sri Lanka last year. Our volume growth was quite strong in FY25, 42% growth over FY24. And quarterly performance was also very strong, seeing growth in every single quarter. First quarter was a little soft for us, but post introduction of Rizta, we have seen a strong growth across the country.

Particularly, our Pan India market shares have trended up very well, from 7.4% market share in Q1 up to about 13.3% market share in Q4. And this is Vahan database, so it does not include the sales that we did in Telangana, a state where Ather is particularly strong. If you were to include those numbers, you will see a material uplift in these market shares further.

Particularly in South overall, Ather has trended as a number one player in Q4, hitting a 22.4% market share. So South India has been historically a strong market for Ather, given the first product success here. And we have always been very strong, specifically in Karnataka, Kerala, Chennai, Hyderabad, everywhere. And with Rizta, we are further solidifying this position.

We have also seen an uplift in performance across the non-South markets. And we believe that non-South markets particularly could be an important driver for growth in the coming quarters. While this was on top line, our reduction of losses and improvement of margins has happened on the back of our focus on software and a strong R&D-led COGS reduction.

So our COGS per unit saw a very strong reduction in FY25. They were down from 148,900 to 120,700 in FY25, a 19% reduction over the course of a year. This was driven partly by the introduction of Rizta, partly by cooling down of lithium-ion cell prices, but also strongly by our work on engineering and R&D. We have called it out on our prospectors. Our R&D teams have been able to drive a 31% cost reduction over the last 3-3.5 years overall. And that also played a very important part here.

Gross margin improvement I have already called out, so I will skip that. Software continues to be, if anything, an even stronger story as we have moved into the end of the year. When we filed the DRHP and we talked about FY24 data, I think our software attach rates, which is the number of people who bought software in addition to the vehicle was somewhere around 84%, 85%, I believe, which moved up to 86% when we filed our December financials, which is YTD data.

But with a very strong performance in Q4, software has ended up at an 88% attach rate for our sales over the course of the entire year. Very strong consumer reception with a very strong mobile app rating and it's contributing more than 600 bps to our revenue as we speak. So software, I would call software as playing a very, very strong role in the overall premium pricing that Ather is able to command and the strong margins that we've been able to now demonstrate.

What's ahead in some of the most immediate big opportunities ahead of us is distribution. So you will see that in the presentation also, but basically our distribution expansion really took a massive uplift in the last few months. Post Rizta's introduction in Q2 and its success by the festive where we saw nearly 100% growth over previous festive. We started adding stores at a rapid pace and our distribution was up almost, I believe, 30% in the fourth quarter.

In the single quarter, we added almost 86 stores, taking our total store count to 351. These are obviously new stores having come up just in JFM and expect them to yield very strong dividends over the coming quarters as their sales continue to trend Northward. Overall for the full year, our store count was up 69%.

Today, our operational capacity is up to adding almost two stores per day. And given the headroom available here and the performance and the track record of our other peers in the industry, we believe there's a lot of potential along distribution for our business in the coming months. Overall and financials, I've already called out all the numbers, so I'll skip describing the last slide on the presentation and KPIs also in the presentation, I'll skip describing them too.

Just to summarize, very strong year for top line, 42% growth in volume. Gross margins, absolute gross margins have grown almost 2.7 times over previous year, which has helped improve profitability quite materially with losses coming down almost 17%, 18% sorry almost 18% at a PAT level, 1800 bps almost at a PAT level.

And our overall focus on premiumization, targeting the upgrading Indian is visible with the ASPs, is visible with the success with our software, our success of the ecosystem strategy and the gross margin, it has all yielded together for us. With that, I'm at the end of my overall opening remarks. Nishit back to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Hi Tarun, good evening. Congratulations on the listing. My first question is on growth. Would just like to hear your thoughts on three areas. The industry growth for electric vehicles in particular and then for Ather, how you would further take advantage of how is your product cycle and how is your network expansion plan?

Tarun Mehta: Got it. So, industry had a decent FY25, but I believe for the industry FY26 can be a very strong one. The overall distribution for the industry is higher as we speak in FY26 compared to FY25. Given the work done by many of our peers over the last one year. So, I believe that will help overall industry volumes. I also believe more products should come out and overall marketing efforts are also quite positive by the industry.

So, I believe FY26 and in general, Kapil, you know this better than anybody else, two-wheeler industry is on a good momentum right now. So, I believe lots of tailwinds for the e-two-wheeler industry particularly in the coming year in FY26. For us on the two parts of product and distribution. So, I believe Rizta over the short term will continue driving a lot of success for us. Rizta is already the majority of our sales and is still in many ways a young product. Its discovery is still happening.

As marketing continues to drive awareness for the product and as we strengthen the product portfolio itself on Rizta, I believe there is a lot of upside here that can be tapped into. I think it will take maybe a year, year and a half before the product line kind of matures frankly. So, it is still in its early days. Ahead of this is the EL product line that we have talked about in our prospectus, which is a low-cost scooter platform. There is very strong work happening on that and I believe that it will unlock a strong market for us, though that is more in the mid-term.

On distribution, I am very bullish on distribution. Our peers have been operating at 700 stores, 800 stores. Obviously, there are really press releases of even higher numbers that you would have seen. While Ather has delivered this volume with like 200 stores, 300 stores until now. So, as we start getting into those hundreds of cities where our competition was present in the past, but we were not. Sorry can I continue Nishit.

Kapil Singh: Yes, I can hear you.

Tarun Mehta: Okay, so I will just continue. So, as we get into those hundreds of cities where our competition is present, but we have not yet opened our first stores. I believe there is a lot of urgent volume for us to tap into. And we can finally get into those markets because now we have a product that can have the throughput to justify these independent stores. See, we have been very careful with dealer, unit economics and profitability.

With a very premium product like 450 in the past, one year ago, we were cautious. We then want to open up stores where profitability would not happen. But with Rizta, a lot of that has changed dramatically. So, I believe to summarize, in the short term, growth will be on the back of distribution. In the mid-term, it will be obviously new products that we are already working very aggressively on.

Kapil Singh: And the second question is on profitability. Obviously, this year from the start to exit, we have seen a pretty strong improvement on the gross margin. So, when you look ahead, what are the cost levers for you from here? And one question specific to the fourth quarter is that other expenses are quite high. So, is it some one-time expenditures here as well?

Tarun Mehta: Right. So, unit economics has already at a strong place over the year's performance as you can see. There are strong levers for unit economics going ahead. EL platform is a very strong lever with the lower cost architecture that it has. That's shaping up very well and I'm very bullish about it. We've also talked publicly about our transition to LFP battery packs, which is underway as we speak, and homologation is already achieved for it. So, LFP battery packs are obviously generally cheaper than NMC battery packs.

And overall value engineering and the new factory in Chhatrapati Sambhaji Nagar should help. So, very strong trends on unit economics. Operating leverage is also starting to kick in. As you can see, the EBITDA and the PAT improved at a better rate than gross margin. As volumes go up, I think there will be a lot more operating leverage to tap into. I think FY '26 and FY '27 will be quite transformational for our overall P&L.

And all this margin -- because basically a fixed cost if you think about it, R&D, marketing and corporate overheads. Corporate overheads are not scaling up too fast any longer. The business is well built out. R&D is also at a healthy place. While it will expand a bit more, but nowhere close to where we are seeing sales responses come in.

And finally, on marketing and sales, it has never been a discount-led brand or a very, very marketing-pushed brand. So, while marketing will continue to be strong, but on a percentage basis, that should also see a downward trajectory.

So, I think very strong levers for operating leverage in the coming quarters, which will hopefully get us to profitability soon. We also believe, Kapil, just to finish that point. For us, profitability could happen at a lower scale than some of the other peers, given a more capital-light and a more capital-efficient approach on business overall.

Kapil Singh: And for the fourth quarter, other expenses?

Management: Yes, Kapil, in that. So, basically, on back of Rizta launch, the push that we did for the sales and marketing. So, those are the expense that have been built into the quarter. And you will have those few of the retail stock, which will be lying with the dealer, with the subsidy transitioning from 10,000 per unit to 5,000 per unit. You will have those provisions also coming in. So, largely in line with what we do every quarter in the last quarter. So, those are couple of things that contributed to the other expenses increase.

Kapil Singh: So, I mean, what is the, like, is there a normalized level? How should we think about this? Because, you know, it's a little bit on the higher side compared to the previous two quarters.

Management: Yes, the good way to look at it is on the year-on-year basis. So, if you look at the year-on-year basis, you will be able to see the normalized year. And that's how all the expenses would reflect the true nature. So, you can look at it from a year-on-year basis, barring the, I mean, the last quarter and also the festive seasonality, which are there to big quarter seasonality that are there in our business. So, if you see on a year-on-year basis, you will get the true picture.

Kapil Singh: Okay. Thanks. Thanks and wish you all the best.

Tarun Mehta: Thanks, Kapil.

Moderator: Thank you. The next question is from the line of Gunjan from Bank of America. Please go ahead.

Gunjan: Yes, hi. Thanks, team, for taking my questions and congratulations on the listing. I just had a few follow-ups from Kapil's question itself. I think, firstly, on the outlook for the EV adoption, how should we be thinking about this subsidy reduction? You know, we did see a pretty strong margin. Things slowed down a bit. So, how should we be reading this? Does this impact demand in the interim?

And also, you know, if you could just also talk about the customer profile. Like, is there a mix that you can share? How many people, you know, how many customers are, you know, share of customers is first-time buyers, replacement, etc? Some color on the customer profile as well.

Tarun Mehta: Yes, thanks, Gunjan. So, first on the EV adoption, you know, last time when, last March, FY '24 exit, if you remember, the industry saw an incredibly big spike in March '24 and a pretty big shrinkage in April '25, which was obviously down to the subsidy coming down from almost INR20,000 to INR10,000. But what's happened this time is, while there was a bit of a jump and a drop, it was materially lower. While March was strong, April was not as weak at all, unlike last year.

And this is basically because the impact of subsidy reduction was just not strong enough. Because fundamentally, there is a limited amount of subsidy that's left on offer anyways. So, we have now come down from INR10,000 subsidy to INR5,000 subsidy. For Athers P&L, that's a roughly 3% impact on revenue, something that, given the strong trend of cost reduction, we have a strong ability to absorb. I think the impact of subsidy in the interim now is limited.

While it still continues to be a good-to-have, I think the industry is frankly preparing for a post-subsidy world through the course of this year. And I think, increasingly, pricing is becoming independent of subsidy. The primary place where subsidy really plays a role.

So, how should EV adoption trend? Well, I believe EV adoption for this year will be strong. I believe growth should be stronger in FY '26 compared to '25. And that's also because I am starting to notice that, I think all of us in the industry are starting to work more on industry barriers. See many years ago, when we started Ather, the biggest barrier that we were really working on, in some ways, was convincing people that EVs are not a toy, and they are strong, and they are reliable, or that they have enough power.

Today, the levers or the barriers that we need to work on are things like battery life, warranties, charging anxieties, so on and so forth, resale value. But you will notice, for example, we have an 8-70 battery warranty program, where we offer an 8-year battery warranty, with a 70% range and performance guarantee at the end of it. Many of our peers are starting to upgrade their warranty programs as we speak. Charging infrastructure is expanding super fast. We now run the largest charging network in India for two wheelers with 35-3600 chargers.

So, I think as we all start training our guns towards attacking industry barriers, this 17%, 18% scooter penetration that you see right now, should start changing quite materially, as the mainstream buyers start flipping in larger volumes. So, very bullish about EV adoption in FY '26.

Overall, on the customer -- so the secular trend there is that, at a household level, 2-wheeler penetration is almost at 70% right now. So, the India that we grew up in, like I remember growing up, there was an Activa, there was a Splendor in many families. But today, all of us have grown up in that climate, which means most of us are now trying to upgrade.

So, what we see is a very strong upgrade play, where consumers who have grown up, or have had a 2-wheeler for a while, are trying to either buy a second one, a more specific purpose one in their family, or they are trying to upgrade their existing vehicle. So, I think premiumization and this upgrade mindset will continue trending very, very strongly.

And I think it's also visible in the adoption of 125cc scooters, which I'm still awaiting FY '25 data, but I wouldn't be surprised if the share of 125cc scooters has now crossed 50%. So, overall, we see a more upgrade-minded customer walking in, certainly into an Ather showroom.

Gunjan: Okay, got it. This is quite helpful. My second question is on your, you know, we've seen good product acceptance. Now, from a capacity expansion and this new platform, if you can share a bit more on the timelines. It's quite interesting to see the -- to hear about the LFP, you know, transition that you spoke about. Can you share what is the sort of cost advantage that can accrue, and is this a product which is viable across high speed, low speed?

I mean, how should we be thinking about it? Because so far, LFP has been not talked about at all. So, some color on both this capacity expansion and the new platform.

Tarun Mehta: Right. So, first, I'll just take LFP quickly. LFP has played a fairly important role in electric cars, as you would know, where the likes of Tata have been using them for a while. In our industry, in the past, LFP was a bit of a difficult thing to package in, given its highest size and weight. But over the last five years, there's been a lot of strong work that's gone in, in improving both the energy and the packaging density.

What we see today are LFP battery packs, which can fit very well for most customers. I think they are still a bit of a difficult thing to package for the higher range versions. But with improving density for the lower or the mid-range variants, I think LFP can play a very, very, very strong role in India. Also more suitable to our climates and all the other good stuff that you would know. On capacity...

Gunjan: Cost reduction. Sorry.

Tarun Mehta: Yes, on cost reduction. So, obviously, I can't give you any specific number, except that you would know that LFP generally tends to be 15%-20% cheaper compared to NMC globally, most reports will call it out. And that looks like a dependable number in the coming year. Also, the big advantage of LFP is it's a more supply chain resilient chemistry.

So there are fewer fluctuations in pricing, unlike NMC, where you've got nickel, manganese and cobalt, so dangerous combo from a supply chain perspective coming together. Okay, moving on to capacity. So our capacity utilization has been going up steadily. Out of Hosur, we can produce 35,000 units a month. Festive '23, October '23, we did 10,000 units out of that plant.

Festive '24, October '24, we did 21,000 units out of that plant. Hopefully, October 25 goes well, and we are able to satisfy all the demand that's headed our way with our distribution expansion. The Chhatrapati Sambhaji Nagar capacity, which is greenfield capacity, should help with further volume expansion next year.

And particularly for the new platforms that we have in mind, particularly the EL platform, where we are looking at a few different processes. So between additional capacity due next year, and the new platform requirements, which are also due shortly, Chhatrapati Sambhaji Nagar plays that role for us.

And goes without saying, a higher capacity like that, which is more vertically integrated and also owned by Ather end-to-end, will have better unit economics for us.

Gunjan: What is the timeline for that?

Tarun Mehta: It's a greenfield facility, Gunjan, so it's the kind of stuff which will take one to two years. Sometime next year, you should see it starting to come on life, but exact timeline we'll share a little later.

Moderator: Thank you. The next question is from the line of Jai Kale from Elara Capital. Please go ahead.

Jay Kale: And my first question is, basically, a few months back, you also mentioned that there is, of course, a disparity between your market shares within regions. Like you're extremely strong in South. But in Northern region, you had also mentioned that some of your ASPs are a little lower than in the South, of course, given the brand acceptance.

How are we in that journey in terms of any initiatives that you'll have taken to address this? And how are you seeing that brand acceptance coming through, which eventually should aid your overall market share? That's my first question.

Tarun Mehta: So, you know, non-South's also tended favourably for us this year. You can see that in market shares over VAHAN. Particularly strong response for us has been, like the one example that I definitely will call out is Gujarat, where Ather continuously used to be single digit market share, often 4%-5%. But in recent quarters, we have hit 20% market share.

In fact, even 25% in some months. So it's a complete reversal in fortunes in a state which has been classically very heavy on scooters and classically very heavy on family scooters. And really, what's really played the role there is the introduction of a family scooter, Rizta, last year. That's really starting to change the game.

In places where we have even okay distribution, we are seeing very strong response. But most importantly, I think the thing that is really unlocking are those cities where we didn't go in the past because we were uncertain of viability. Rizta is opening all that in a big way for us. And a lot of that is in non-South markets.

In fact, we called it out even in our presentation that the majority of store introduction that's happened recently has been happening in the non-South region for us at Ather. Pricing, actually pricing has been okay. Our ASPs have been trending quite stably over the last several months, even as non-South market shares have been increasing for us in terms of overall volumes.

So you can see that in our quarterly results in the prospectus and Q4 data put together. Also, what's been very strong is the software attach rates. In fact, that I would probably say was a bit of a positive surprise that despite the introduction of Rizta, which is a more North and West heavy product, which is a more mass market product.

Our software attach rates haven't really wavered. They were 84% in FY24. They are 88% in FY25. So I've been just positively surprised and very happy with the overall response to our more mass market product, response to software, and response from the non-South markets.

Jay Kale: Great, that's good to hear. My second question is regarding, of course these are early days, but you would be having some bit of EVs that would have come for replacement either in your portfolio or from competition to yourself. How are you seeing the replacement values of these products given that there is quite a bit of difference between yours or competition's quality of batteries, quality of products?

Is there a meaningful advantage that you have in terms of resale value versus the peers? Because that probably could also be one of the functions of long-term sustainable market share gains.

Tarun Mehta: Yes so, let me just tell you a few things about what we have done to support resale price strongly. Resale price is down to a few things. First and foremost, the quality of the product, which I think we have done a very disciplined job of over the years. We have been very careful with the product's quality.

We have been very careful with launch and introductions and focusing on making sure that a stable product is what hits the market on day one, and the almost decade-long work that we have done on our platforms. Second is pricing. I think the EV industry is really breaking through a new paradigm here and the wisdom often has been that if an XYZ commodity cools down, then you just pass on that discount to the consumer. We have taken a different view at this. Our view has been that you actually do a disservice to your customer and your market by doing that.

There are other ways of handling a cooling down of prices. What we have done at Ather is instead of reducing the price of the same variant, we would rather create a new variant altogether and offer that at a more compelling price. But work hard to protect the price of the product already in the market. I think this helps create an overall perception of a product that is not discounted, a product that will not see its value degrade because of companies' actions. I think that has helped us quite a lot in the past.

Finally, we have also done things like an 8-year battery warranty because one big fear that people have with electric vehicles is that their resale price is going to be lower because just like mobile phones, in 2-3 years the battery will be dead and the cost of battery replacement will be scary high.

So with an 8-year battery warranty, I think we comfortably cover the first resale transition of your product at which point you will still be able to tell the customer that there are possibly years left in the battery with a 70% range still guaranteed by the OEM itself. And we, by the way, also transfer the battery pack warranty to a new customer.

So we have done all these actions to ensure the resale price holds up well. Obviously, data right now is very, very young. So I don't want to cite that what is the resale price of a product except that whatever I see on these online portals is very heartening. But maybe the strongest action point there is that we have been trying to convince our first generation customers for a long time who bought their vehicles at about INR1,25,000, that please give us your vehicles back. We will give you INR70,000, INR80,000, INR85,000 also after 5-6 years.

We have been miserably failing there. We have not been able to convince these customers even at INR75,000 to give over their vehicles. So, sorry, just a small joke. But yes, that's how things have trended. So we feel very good about our resale price.

Jay Kale: Great. Just one last question. In terms of your path to profitability, what are you most bullish on in terms of the drivers? Is it operating leverage? Is it the cost reduction benefits at your plant level and platform scale? Is it the commodities that probably you feel that there is more scope of extracting out of there? Or is it the product mix as you move to new products?

Tarun Mehta: You know, a few things. So Jay, the single biggest lever for growth, I believe, is the opportunity to expand distribution for us. That's something that can give a real flip to volume even further in the coming year. And honestly, at the kind of unit economics we already are at, and remember that's without PLI, that's with a fairly reduced subsidy today, volume expansion is possibly the single biggest thing to focus on. So we are very focused on that. And distribution will play a very big role there.

In addition to it, I think software is obviously now starting to play a very, very central role to how our margins trend up, because specifically the contribution of that 6% of revenue is very high at an EBITDA level, because this is a very high EBITDA margin business and a very strong operating leverage on this front. So software will also aid our profitability quite a lot. And final is the overall premium positioning that I think we have started to crack.

We see that, obviously I can't cite data for it without formal research, but we see that very strongly already in the southern markets, where Ather is able to command a lot of respect in the markets and with dealers and customers eventually.

Jay Kale: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Nikhil from Invesco. Please go ahead.

Nikhil: Thanks for taking my question. Congratulations, Tarun and team, for the listing. So two questions from my side, Tarun. Firstly, obviously the Rizta scale-up has been quite fabulous. But just on the performance scooters, we obviously launched the new 2025 models. What is the outcome there?

I think if I look at just average monthly run rate that seems to have settled down at a lower level than maybe what you were doing June to say October. I understand that obviously Rizta has come up, but given that you have expanded distribution, I would have expected that, assumed that you should also see some benefit of the performance scooters. So what's the outcome there?

Tarun Mehta: Right. So Nikhil, performance scooters, we have seen some cannibilization for 450 after the introduction of Rizta. Frankly, it's not very different from what we internally estimated. And the reason is simple. We knew colloquially that a lot of customers in many cities were buying an Ather 450 in the past, not because they were necessarily looking for a performance scooter, but for the most part because they wanted to buy an Ather and Ather only had one product.

So they just bought the best possible Ather at that point. But with the optionality of Rizta kicking in, many of those customers would find this more attractive. Also do remember that in South, while performance scooters sell better, ultimately even in South India, performance scooters are not the majority. It is still the convenience or family scooter that is the majority of all scooters sold.

So as our volumes keep going up, I believe that the share of sales of performance and family scooters will more closely mimic what we see wider in the industry. In fact, we are still quite far away from that mean where family scooters are in the industry at 80% and performance scooters at 20%. Having said that, I think we have seen a few things and we have done a few things from our side over the last few quarters.

We are free of the need to have the 450 be the product for all our customers. We have started to position 450 more strongly and more sharply in the performance quadrant, which is we are seeing good signs on the kind of SKUs that are getting picked up, on the kind of attach rates we are seeing with software on 450 even further. And obviously, South is the harbinger of a lot of that success.

We also believe there are other markets which we have not yet tapped into in a big way, particularly in the eastern part of the country where performance scooters have historically done very well, where the 450 part of the business can now start focusing on in a bigger way. So early days, also remember a lot of our volume store expansions come from the non-South markets, where really this is not going to be the big part of the news overall. But overall, we see 450 settling at a good place and with an expansion of industry volume and our distributions continued push over FY26.

FY26 might be just the biggest -- it should be a bigger year for us compared to FY25 for distribution. So as that happens, I think volumes will go up, but I would honestly still guide that Rizta will continue winning a bit more percentage market share in our product line compared to 450 in the short term. But honestly, we are quite okay with it as long as 450 has a healthy base of volume.

The margins have been quite favourable for both product lines, something that you can see in our quarterly results. Obviously, while I will not be able to divulge the exact numbers, the increasing volume of Rizta in our portfolio has not really dented our margin profiles at all. So that probably should tell you that there is a lot of confidence in how the margins have shaped up.

Moderator: Sorry to interrupt, sir. The current participant has been disconnected. We will move on to the next question. It's from the line of Pramod from Incred. Please go ahead.

Pramod: Hi Tarun. Thanks for taking my question. Considering the excitement of a new product which you had last year, how do you look at product development cycle for EVs evolve, E two wheeler evolve, where are you and how do you plan to scale and how is R&D positioned to do the same?

And the related question is how important refreshes are in the entire EV space considering there is a lot of consumer durable characteristics of buying which is coming in?

Tarun Mehta: So, on the overall product portfolio we believe there is an incredible amount of opportunity in the scooter business in the near term. The reasoning being scooters are, we believe, are in the midst of a premiumization wave. Maybe very similar to the premiumization wave that motorcycles saw two decades ago courtesy entry of products like Pulsar back then.

And I think as the premiumization wave runs through the scooter industry, it will cause a fragmentation of the customer profile. Basically, the customer will move away from buying a safe and a steady simple product to having differential tastes. We are preparing for that world which is why we are working on our EL platform where we can develop even more number of scooters and can solve for different customer needs in the coming years.

But having said that, don't take this as a guidance to have like 10, 20 different scooters. What I am saying is I think one or two scooters is not enough, there is opportunity to have maybe few more. In the more mid to long term, there are motorcycles for which we have already guided that we have begun platform level work. But specific product guidance is still some time away.

And that's just down to us choosing to focus more on scooters in the near term. On refreshes, we've been doing refreshes at quite a healthy pace. We've been more focused on software refreshes than heavy hardware changes. Though having said that, we've seen several platform upgrades over the life of Ather 450 already. Rizta just launched less than a year ago, so obviously it's some time away from a major refresh.

But 450 has shaped up quite well. Despite being now 6 years into this line, it's still holding quite strong in markets where it is strong like in Bangalore, Chennai, Kerala, all these places. So is the cycle more like consumer durables? I don't know honestly. I think ultimately, there is a very heavy weightage and influence of the auto industry. In fact, if anything people don't want to see very rapid hardware changes because that probably hurts resale price.

So it's better to focus more on software link changes which can be more backward compatible and something that we've strived hard to achieve over the recent years.

Pramod: And the second question is with regard to the largest cost element, which is sales. When you look at international sourcing and equality, which I carried as a pronounced statement all along, what would you look forward for India sourcing per se? Is it more cost or stability of supplies and what's the realistic timeline you would be looking at sourcing from India?

Tarun Mehta: So we believe over the coming few years, sourcing from India has got to be a strategic imperative for any OEM in India. Same is the case with us. While we obviously are not big fans of producing lithium-ion cells ourselves, we believe it's a business that has a very different profitability profile and needs a different scale and timeline commitment behind it.

We also believe there are very strong players in India who can make that work. We've already announced MOUs with the likes of Amara Raja and we already have live relationships with the likes of LG. And what also gives us a lot of confidence are the announcements by many very strong cell manufacturing companies globally who are starting to set up operations in India, whether it is Panasonic with IOCL or whether it is Reliance's multi-billion dollar commitment to producing LFP cells in India or Exide, which I believe is already live as we speak and many other, including a few start-ups.

So I'm very bullish on seeing domestically produced cells. Obviously, on the overall supply chain, I think we are sometime away from going up the chain to things like cathode and all those active materials, but I think the cell itself should move to India in a few years and Ather will work on being one of the earliest adopters of India produced cells. I think that is the right thing strategically and from a policy perspective to focus on, but I would still guide a couple of years, maybe a few years to get there.

Pramod: And the focus will be on quality than just the pricing or what would be your key criteria to fulfil local sourcing?

Tarun Mehta: Hard to say and I'm honestly just speaking of my own gut instinct at this point. I believe India produced cells may not necessarily bring a big cost advantage in the near term because frankly it's going to be hard to beat China's massive scale and pricing structures overall. But I also believe that there will be ways the government will make it work to at least make the price competitive.

So I believe it will be flat to maybe – it will be possibly flat, maybe marginally up, not materially lower. And quality is also going to be a journey because there is a process know-how that developed lithium-ion markets like China, South Korea, Japan have built over the last several decades. So I think India will go through its own journey in getting to the same level of quality.

And by quality I really mean first time right metric. I think what will go in the vehicle has got to be the same quality performance as what we import today.

Pramod: Sure. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Nikhil from Invesco. Please go ahead.

Nikhil: Thanks. I just had a couple of follow-up questions. One was on the distribution side, Tarun. Obviously a lot of stores have been added especially in Q4. I just wanted to understand based on your past experience typically what is the kind of time taken per store throughput to ramp up to a good enough level and going ahead what is the kind of number that you are targeting say over FY26, where do you want to take the number of stores to?

Tarun Mehta: Right. So Nikhil, we had an older store format with which we were opening -- with which we were expanding distribution till about let's say 1.5 years, 2 years ago. After that first wave of stores, we had a lot of learning and we were able to optimize cost structures quite a lot working along with our dealer partners.

Today the new format stores that we open breakeven at a much smaller timeline. They are down from taking several years to get to steady state and years to profitability to literally down to a few quarters now. And the early signs of the core stores that we have opened in the last couple of quarters are very, very promising. So we are very bullish on them in the near term. And how many stores can we open? That's a tricky one.

I honestly think there is an opportunity for hundreds out there, but it's difficult to give an exact number. What gives me the confidence to just sort of run full speed here is the fact that our peers are at about 800 odd stores while Ather has only now gone to about 350. In every sales review we see there are hundreds of these cities where we have not opened our first store and these cities are shaping up really well. So I think there is a lot of headroom here but it will be difficult for me to give you an exact number at this point.

Nikhil: Understood. And just one last housekeeping question. If I look at the employee benefit expenses last year it was around INR154 odd crores. That has come down sharply to INR109 crores in this quarter Q4 FY25. So any one offs last year or what was kind of given that significant reduction?

Tarun Mehta: I believe there were a few stock options that particularly vested in that time period that caused a change.

Nikhil: Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen this was the last question for today's conference call. I now hand the conference over to the management for closing comments.

Tarun Mehta: Everybody thanks for making time and joining us today on our first call and the first results after listing. We are very excited about growth and we couldn't have wished for a better quarter and a better year to get in front of the world and tell our story. Our belief always has been that our bet has been on an upgrading Indian customer on technology.

And strong bets on R&D and brand and I think they continue to pay and they have paid rich dividend in the recent quarters and months and hopefully with the distribution expansion that's ahead of us and in the more midterm the portfolio expansion we'll have many more exciting calls to jump on with you all. Thank you.

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