Management Discussion

Murali Sashidharan - Head of Public and Government Relations, Ather Energy Limited
Thank you. Good evening, everyone, and welcome to Ather Energy Limited Q2 FY '27 earnings conference call. From the management, we have with us today Mr. Tarun Mehta, Executive Director and Chief Executive Officer; and Mr. Sohil Parekh, Chief Financial Officer.Before we begin, let me draw your attention to the fact that the discussion today may include certain forward-looking statements, which are predictions, projections or other estimates about future events. These statements reflect management's current expectations about the future performance of the company and are subject to various risks and uncertainties that may cause actual results to differ materially. Please note that this conference is being recorded. As a reminder, all participants will be in the listen only mode, and there will be an opportunity to ask questions after a brief overview from our management team.With that, I now request Mr. Tarun Mehta, Executive Director and CEO, Ather Energy, to share his opening remarks. Over to you, Tarun.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Hey, thanks, Murali. Welcome, everybody. Welcome to earnings call for Q2 FY '27. This has been a pretty stellar quarter for us, and I would say actually the entire industry, with industry registrations hitting a growth of 82% year-on-year, netting out at about 6 lakh sales for the entire quarter. Phenomenal growth across all the three zones that we track, Middle India, South India and rest of India.What's really heartening is, I want to bring attention to two important points. First, the growth is becoming more broad-based, and that's very important and very healthy to see. For example, if you see last quarter, the growth across three zones was a bit different, with South India leading at 82% and rest of India at about 54% and Middle India in the middle at 66%. But in Q2, we are starting to see signs of growth pretty much coming in at the same level across three zones, at 82% in South, 85% in Middle India and 79% in rest of India. So quite a broad-based growth overall.The second important trend is that South still continues to be an absolute monster of a zone, growing at 82% despite a fairly healthy base already, which is what you want to see, obviously, because electrification is still at early stages. Q2 was the first quarter when pan-India e-scooter penetration crossed 10%, netting out at about 11.2% for the full quarter. And we do believe that this is still supply constrained at an industry level, and the coming quarters should continue to remain fairly healthy for the entire industry. For us, Q2 was particularly important because this was the quarter when we had our annual Ather Community Day 2026, and where we launched a whole bunch of things from our ecosystem to software to obviously the new product, Konarc.Let's start with some of the launches we did in this ACD. ACD overall has become a pretty landmark event for us. It's grown from its humble origins of about 600, 700 owners who came in, in 2023 to almost 6,000 people who got together in Bengaluru this year. Fantastic coverage. Many viral moments, and a lot of attention that it's helped bring to the brand and established its equity across the country.Some of the important things that we launched in this ACD were starting with Ather TrueHealth. This is a comprehensive health report of the scooter, where we basically started showing the health of different components like the battery, brakes, wheels, dashboard, motor, etc., on your mobile app. So you can just go to your mobile app, click a button, and see the health of different components, which is quite pioneering in our industry. And we convert all that into a simple health score.Essentially, the idea here is we want to give EV owners a lot of confidence and comfort that how their EV is performing even after years of usage. And we took it one step forward by starting to show the estimated resale value for scooters that have crossed three years of ownership. The intention, again, is not at this

point to establish a business channel, but to again, give EV owners a lot of conviction that they've made the right choice by going to electric and their vehicles continue to retain a lot of value.The second thing that we announced was Ather Node, which is an infrastructure product that enables EV charging in apartments. It's a really smart system that comes with automatic queuing, smart load management. It draws power from common loads instead of individual houses, freeing up a lot of complicated infrastructure that the homeowners otherwise will need to do. Comes with customized billing, and it's very cost-effective. Ather Node is getting industrialized right now and will commence deployment in the next few months as we are onboarding our first few set of partners.Third big thing was Ather Bedrock, which is our fifth-generation battery packs with enhanced safety and much longer warranty periods. These are fairly well-developed battery packs, which come with real-time micro leak detection. They come with cell balancing that is almost 5 times faster than previous generation and are the first battery packs from Ather that come with 10 years or 100,000 kilometer warranties with a 70% performance guarantee.These batteries have already gone live across the entire portfolio from 450. And obviously, the big launch for ACD underpinning all of it this year was Konarc, our mainstream product going live this year. Konarc, we decided to focus a lot in this product on the fundamentals of scooters in India. So this is our first scooter that has come with 14-inch front wheels. It has come with one of the longest rear suspensions in the country for scooters. It comes with a beautiful padded grab handle, adjustable backrest, onboard charging, combined charging, so that customers are not even locked into one charger spec over the ownership period. Our first scooter with a center stand, metal body, a remarkably improved service layout so that you only have to service your scooter once in a year. It comes with the Bedrock battery with 10-year warranty periods.So overall, Konarc focused a lot on the fundamentals, with the target being how do we get more petrol scooter buyers to buy electric. It is launched with great reception already. But this was an Ather product, so it did not just do this. It also brought to fore some of the really new magical things that our teams have spent a couple of years now really crafting and perfecting. Features like AirWalk, where the motor detects that you are trying to move the vehicle and gently assists you. The end effect being the vehicle seems remarkably lighter than it actually is. Or a new feature called MagicKey, which is essentially keyless, but built in a very intelligent way so that it gives people who may not be very savvy with tech a lot of confidence in owning a keyless product. Lost key detection, an authenticator that works offline, a smart key that works even if it has run out of battery, one that locks the handlebar automatically. A lot of features there.One of the more viral features from this launch was AutoPop, where you could just come tap the rear of the scooter and the seat pops up. One that consumers are absolutely very excited for, and it is going to get into production in the coming few months. And finally, AeBS, Ather's proprietary Advanced Electronic Braking System, which is a remarkable improvement over CBS and reduces the stopping distance substantially, even on slippery roads.So with Konarc now live, we believe we have built a very healthy portfolio in the scooter segment. Between 450, Rizta and KONARC, we believe we have covered the market quite well. Obviously, there are still many small segments that remain and we will focus on them also. But I think for the mainstream market, between what Konarc has brought to the fore, we have probably covered the bulk of the territory already. And over the next 12 to 18 months, as different variants -- over the next, sorry -- couple of quarters as the different versions of Konarc keep hitting the market, we believe our TAM will continue to expand.We've seen a remarkably strong surge in our demand metrics across the board. Overall, for the EV industry as a whole, the EV searches, online searches on Google and AI, they were up at roughly about 34% year-on-year. So very healthy growth, obviously. Ather searches on

the other hand, were up almost 94%. Obviously a much, much, much stronger growth. Ather inquiries were up even more at about 109%, crossing 10 lakh inquiries for Q2 FY '27. And pre-orders were up at about 108% year-on-year, hitting about 1.8 lakh pre-orders in Q2 FY '27.All of these top-of-the-funnel metrics have translated into very strong wholesale volume growth. Wholesale volume grew from 65,000 units same time last year to 93,000 units in Q2, 42% growth year-on-year. This has been enabled by a very healthy ramp-up of our capacity, manufacturing capacity, which has gone up from 28,000 units average per month last quarter to 33,000 units average per month in Q2 FY '27. And obviously, that's also translated into even stronger growth in year-on-year registrations, up from 57,000 units same time last year to 92,500 units. Almost 60% growth year-on-year.Increasingly, and particularly with Konarc launching in a phased manner from last quarter, we've seen an even sharper growth in rest of India than let's say South or middle India. Obviously, this is also because we have started to prioritize a little bit more of sales in the rest of India, particularly in northern markets. Konarc itself is being released in a staggered manner, with early releases focusing on Uttar Pradesh and Rajasthan, now expanding into Madhya Pradesh, Bihar, Maharashtra, Gujarat, Punjab and many other states. And over the coming few months, with AURIC going live, we're also looking at bringing Konarc to the southern markets.Overall, all this rising demand obviously necessitates a fresh look at capacity. Inquiries have honestly gone parabolic, as you can see in our presentation that we've shared online. Pre-orders have also risen up quite a lot. And though we have produced 33,000 units average last quarter, on current demand trajectory from the current stores, our team's internal estimate is that we have roughly about 20,000 units per month of unrealized retail that we are not tapping into yet.Now to solve this, Hosur, which is already at its setter's end, it's at 35,000 per month capacity. And AURIC Phase 1, which is going live and will finish complete installation of its capex by Q4 FY '27, adds an incremental 42,000 units, which means a net capacity of 77,000 units per month. But if current demand is already in the 50,000 to 60,000 units zip code, 77,000 units obviously does not leave a lot of headroom to grow. This is a question that we've been pondering for the last few months. What we've decided to do, and we've just taken board approval a few hours ago, is we've decided to enhance capacity in both Hosur and AURIC Phase 1 in the coming months itself.With Hosur capacity expansion happening right away, an incremental 6,000 units per month capacity that will go live later this quarter. AURIC Phase 1, an incremental 12,000 units per month incremental capacity that will go live by Q2 FY '28. Taking our total installed capacity up from 9.2 lakh units, which is where we would have been by, let's say, middle of next year, to 11.4 lakh units by Q2 FY '28. So this is an important jump, an important near-term jump, I would say, that our teams have decided to focus on, giving us hopefully enough headroom to grow for the next couple of years as Konarc hopefully drives a lot more growth across the country for us. I know the last few months have been quite tight for us with demand far outstripping supply. But with all this capacity expansion finally starting to yield fruit, I am very excited about the next few months as we start seeing results of all of this in the company.Coming to unit economics, bad news, good news. First, bad news. Commodities have been worse than we estimated just a quarter ago. Three, four months ago, we were hoping for aluminum to be cooling down because there were a lot of murmurs of the Hormuz crisis would be resolved soon. Copper was estimated to have flatlined. Plastics was going to get better because, again, Hormuz was going to be resolved, and memory was estimated is probably already at its peak.Unfortunately, all these four have proven out to be incorrect, at least in the short term. Aluminum has run much higher, at least in Q2, though in the last few days it has showed some signs of cooling down, so fingers crossed. Copper has run really far ahead, particularly because of pre-buying by U.S. and much

higher AI demand. Plastics also remained disrupted for much longer because of the Hormuz crisis. I am again hoping that that peak is hopefully behind us now.Unfortunately, memories continue to be really, really complicated and expensive, and we do not see any near-term solution to that. Overall, commodities have been worse than we hoped. I do continue to believe that this is a temporary hit, but yes, it has definitely lasted a few quarters longer than I have expected. But against that, teams have put in a remarkable amount of discipline and focus to bring in forth a lot of very, very good solutions, starting with price hikes and SKU management.To give a frame of reference, our average ex-showroom price across the country, weighted average ex-showroom price average was roughly about INR150,000 in Q4 FY 2026, including Pro Pack sales that we do, AtherStack Pro Pack sales that we do. That number for Q2 FY '27 came in at INR164,000, so INR14,000 increase in average ex-showroom price. So a phenomenal improvement and honestly one that even I was surprised that the teams pulled off. So very good performance for the teams here. Some of it is structural with price hikes that teams have been able to land successfully the message in the market. Some of it is also a little bit more temporary with very, very smart SKU management across the board and incentive management.What has also been very successful is AtherStack Pro attach rate, which came in at 94% for Q2 FY '27, and non-vehicle revenue, which came in at 15% overall. Overall, if you were to see the AGM, and if I were to compare this to Q4 FY '26, Q4 FY '26, two quarters ago, was 25.4%. Structurally, we have seen some gains, which is sustainable price hikes, VAVE works that teams have taken, cost reduction that teams have driven across the board. All of that put together has given us a 5.3% improvement in gross margin.Commodity inflation has come much worse than we would have liked, at a 9.4% hit to gross margins overall. But very smart SKU management by the teams have yielded -- has created -- essentially opened up a new lever for us in the business, and it has improved margins by 2.7% in Q2. Netting out Q2 FY '27 AGM at 24%, which is a 1.6% improvement over Q1 FY '27, I think, roughly, yes. Overall, H1 FY '27 AGM is at 23%. And all of this has given us a phenomenal operating leverage with EBITDA showing a 1,450 bps improvement year-on-year from minus 9.6% in Q2 FY '26 to positive 4.9% in Q2 FY '27. Even without other income, this was the first time our business registered positive EBITDA, at I think roughly about 1% or 0.8% EBITDA.And I would be remiss in not acknowledging the first time our business hit positive PAT. Something definitely worth celebrating for us. I do want to call out, however, that we are not out of the woods. There is a lot of ops for us to deliver on, and PAT is not the first thing to focus on. The real thing to focus on is top of top line and improving volume will itself take care of a lot of things and is the right operating leverage to focus on. If all the capacity work that we are putting in bears fruit well over the next few months, then I believe that PAT will take care of itself. In the near term, PAT can go up and down, but definitely worth celebrating this milestone for the business this quarter.Okay. Coming to obviously the key thing that all of us are super excited and focused on is the new capacity coming live in Chhatrapati Sambhajinagar. So AURIC Phase 1 is shaping up incredibly well. We have shared some pictures in the deck for your reference. The battery line, the vehicle line, the paint shop, all that is coming together really well. Trial production is expected to start in the next few weeks, so very much on track for Q3 FY '27. And we expect to finish our capex installation and hence capacity installation by Q4 FY '27. It will take a couple of quarters for the installed capacity to be fully realized, but all of that is right now tracking very well, and it is very much on track. I was there just a few weeks ago, and the progress is honestly quite phenomenal. So all of us are super excited, I repeat, for this.Coming to finally, a summary. Demand is up quite beautifully. Pre-orders are up 108%. Registrations are up 60%. Production is up 45% all year-on-year. Important quarter for the industry with 11.4% cumulative

penetration, highest ever, and the first time it has crossed into double digits at a quarterly level. Very strong growth in revenue from operations for the business. Very strong growth in gross margins despite almost, frankly, unprecedented amount of commodity hits. And what we are excited about and looking forward to is the 11.4 lakh annual capacity, installed capacity over the next few quarters that the team is working on right now.With that, let me just pause and open the floor for questions.

Questions & Answers

Operator
Thank you, sir. [Operator Instructions] The first question comes from the line of Amyn Pirani with J.P. Morgan. Please go ahead.

Amyn Pirani - Analyst, J.P. Morgan
Yes, hi. Thanks for the opportunity and congratulations on a good performance in a relatively tough time period. My first question is just some clarification on the capacity. Because you are adding AURIC in Q4, and within AURIC Phase 1 itself, you are now adding more. By when should we expect that you will be able to realize this capacity? Because I understand that while Hosur is already an existing plant and adding this 6,000, you can realize it immediately. When you add such a new greenfield, by when will you be able to ramp it up to this 6.5 lakh? Will it be by 2Q itself, or will it be more by 4Q of next year?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Hi, Amyn. I will have to get back on specifically for the 12,000 units that we are increasing in AURIC Phase 1, but my estimate would be that even that will take a few months. Phase 1, the base capacity of 42,000 units will certainly take two quarters to ramp up. The additional 12,000 units that goes live in Q2 might ramp up a little faster. So I am reasonably sure it will ramp up within FY '28, but can't give you the exact one right now. But you're right, Hosur's ramp up should be pretty rapid. So we're expecting that to happen over the next, let's say, later this quarter, and you will start seeing the results of that almost immediately on a daily basis from the end of the quarter itself.

Amyn Pirani - Analyst, J.P. Morgan
Sure. That is helpful. Secondly, just on the commodity bit, like you rightly said, a lot of other OEMs, when we speak to them, all of them echo the sentiment that the extent and the amount of time that these commodities have remained high is higher than what most of you in the industry were expecting. And obviously, it has been a surprise. So given where we are today, and let's assume there is no letup and no trend down, even, say, next calendar year, how much more pricing levers are available in the system according to you? Because at some point of time, the affordability starts to become a challenge for customers. Some companies like you have done a better job than some other companies. How should we think about the pricing levers available going forward?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Yeah. So honestly, on the current portfolio, I would not want to push pricing up, at least over the next few quarters. I want to preserve the flexibility for our business to be able to grow sustainably without offering discounts as all this additional capacity goes live over the next few months.Having said that, what will happen almost organically is, that Konarc has a more aggressive entry portfolio, right? And it offers us better unit economics compared to, let's say, something like Rizta. So it opens up the door for us to offer more affordable products without necessarily sacrificing absolute gross

margins or maybe even improving them. So we could essentially, in effect, reduce the average ex-showroom price that the customer is experiencing without any impact on gross margins. Again, at a high level, I am saying, like it is not an exact guidance, but you get the picture.I think Konarc is this very beautiful lever that opens up this opportunity for us to effectively improve our margins without pushing prices up any further, or maybe even reducing the average ex-showroom price a little bit and still maintaining these margins. That is assuming that commodities do not let up at all. I have been proven wrong once in some ways, but I would really like to hope that over next calendar, some of these commodities will certainly cool down. Otherwise, I think it will be quite a monumental thing for the automotive industry to have seen such elevated commodities for such a long time.

Amyn Pirani - Analyst, J.P. Morgan
Yeah, yeah. No, that is true. But yeah, we are all hoping for it to come down, but I think that is. I will come back in the queue, but thanks for this.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Thanks, Amyn.

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

Kapil Singh - Analyst, Nomura Financial Advisory & Securities
Yeah, hi. Good evening, team, and congratulations for a wonderful performance. Firstly on Konarc, Tarun, you talked about quite a bit and a very interesting product. Just a quick sense we have in regions where you have launched, how many incremental bookings are coming in dealerships where Konarc is launched? There will be some cannibalization as well, but net-net, what are you observing over there? And how is the customer response so far?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Yeah. So I think we did not share the exact data because Konarc is honestly, Kapil, very new in our sales channel. It literally only saw one month of sales in Q2, month of September, and it is still at an early stage. Only I believe like less -- not even 10,000 units have been sold by the end of Q2.Having said that, the response has been very positive. There has been, like in the few limited markets of Rajasthan, Uttar Pradesh, where we launched it, inquiries, pre-orders, walk-ins, everything was up several times, pointing to an incredibly strong potential. In fact, it has lifted up our inquiries. If you see our top-of-funnel metrics that we have shared, it has lifted up our inquiries by a huge margin because customers across the country are quite excited.In fact, I think one thing that we probably underestimated was the demand for Konarc Z, the line that we haven't -- that we've showcased, but we haven't started production and sales of yet. Given the solid set of features like AutoPop, MagicKey, etc., there is a phenomenal demand for Konarc Z also. So I do believe that Rizta will have to make some more space for Konarc to continue growing, because its demand is very strong, definitely in the North, but I would not be surprised to see very strong traction in South also.One thing that initially I was maybe a little nervous is that how would a shape like this land in the market? Our thesis was that Konarc -- like we build Konarc to essentially be more relatable, like more familiar for customers. Our early concern was that what if it lands as a simple design? But it seems to have landed really well, at least in the Northern markets, where people are -- many customers are seeing this as finally a proper scooter and not just an electric one, which is a very complicated thing, I know, to articulate, but something that consumers seem to be saying across the board. So early

days, I do want to emphasize that, but very positive and strong signs across the board, which is why so much capacity expansion we are doing on the back of Konarc.

Kapil Singh - Analyst, Nomura Financial Advisory & Securities
Thanks. And Tarun, secondly, just on your ASPs, we are at INR150,000 plus. Are these all scooter customers? Because a typical scooter would cost roughly around INR100,000. Or are there motorcycle customers who are also now looking at scooters as a viable option? What's your thoughts on that?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Honestly, Kapil, I don't think it's the motorcycle customer that we are pulling in yet. I think what we continue to tap into, to a lot of people's surprise, is willingness of the same scooter buyer to pay up for better experiences, better quality and better features, as demonstrated by also a much higher success of AtherStack Pro than honestly any of us had anticipated.And we ask this question to each other every quarter, and consistently the feedback from the team says that this is the scooter buyer. This is not a niche premium buyer only. This is your average scooter buyer who is seeing a lot of value into this. Just see Konarc, for example. We haven't shared exact data, but early signs of AtherStack Pro attach rates of Konarc are as strong as Rizta. There's almost no change. So I think -- I don't think these are the motorcycle buyers. I think these are still very much scooter buyers. People see the value in a quality electric product quite clearly.

Kapil Singh - Analyst, Nomura Financial Advisory & Securities
Okay. I guess lastly, any thoughts on like how the pricing and costs shaping up for Q3? Any color over there?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Sorry, are you saying pricing or commodities?

Kapil Singh - Analyst, Nomura Financial Advisory & Securities
Both, both. Actually, I mean, have you taken any pricing in Q3 so far? And is there more commodity pressure ahead in Q3?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
No, we are not taking any more price hikes in Q3. As I guided the quarter before, we will stay put with these prices for a while. Let Konarc also stabilize for the next few quarters. At this point, commodities seem to be on balance flat. They don't seem to be going up. We did not see a rising trend in the last few weeks that would tell us that Q3 will be worse than Q2. But honestly, this world has been very volatile, so we can only play it by the year. Let's see.

Kapil Singh - Analyst, Nomura Financial Advisory & Securities
Okay. Thank you and best wishes.

Operator
The next question comes from the line of Gunjan Prithyani with Bank of America. Please go ahead.

Gunjan Prithyani - Analyst, Bank of America
Yeah, hi. Thanks for taking my questions. Just a couple of follow-ups. Firstly, on the margin front, when I look at the cost numbers that you have shared, it seems like there is almost like 400 basis point of commodity pressure in this quarter, but you were still able to expand the margins, I mean,

almost 5 percentage point plus sort of value engineering mix or just the SKU that we have been able to manage in this quarter. I am just trying to understand, is there any element of this 5%, 5.5% of benefit that we saw in this quarter which sort of reverses when the supply situation normalizes or Konarc ramps up? Any thoughts there? And also, was there any element of subsidy in this quarter because that was also sort of tapering off, right?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Yeah. Hi, Gunjan. So first, subsidy continues to stay. That is pretty much same as Q2. There could be a few hundred rupees of difference here and there between variants, but broadly the same. You will see in the slide that we have shared, and I know it is very last minute. But you will see in the slides that we have shared, we exactly call this out because we do not want people to believe that all of the gains that we have delivered in this quarter are necessarily structural. So a little bit of nuance we brought in the reporting this quarter. We believe roughly about 5.3% margin improvement that we have driven over the last two quarters is broadly structural in nature. What I mean by that is this is largely price hikes that seem to have landed well in the market or cost reductions, which are obviously permanent, VAVE, so on and forth.What is a little bit more lever kind or more temporary in nature are things like SKU management and pullback of incentives or other support mechanisms. In Q2 compared to Q4, that amounted to roughly about 2.7%. So this is a lever that I would say, think of 2.7% here as a lever that we will exercise in a more finite time window if we are supply-constrained or if commodities are this elevated. If either of this cools down, then we will probably open up this lever again. So clearly our 2.7% is a bit more temporary in nature.

Gunjan Prithyani - Analyst, Bank of America
Okay. Just to put it other way, 5.3% is the price and cost improvements that you all have made. 2.7% is the mix or other supply stuff that give you tailwind. But it is not necessary that this entirely reverses in a normalized supply environment because some of these mixed benefits will still prevail, right? This 2.7 is also not one-off, just to be amply clear on that.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
It's not one-off. It's not one-off. That's why I'm using the word lever. So if, for example, we continue to remain -- let's say, we supply another 20% next quarter. But if demand goes up even more, then essentially this lever will pretty much apply in the same way or a large part of this lever will still continue to be very valid because we'll obviously push the SKU in a more healthy trend in our favor. So over [Technical Issue] improvement compared to Q4 FY '26, out of which 2.7% is a more temporary lever that we can choose to activate if we enjoy this supply-demand mismatch or if the commodities are this outlandishly elevated.

Gunjan Prithyani - Analyst, Bank of America
Got it. And the second question I had was on the EL platform. Any thoughts that you can give on what is the sort of cost improvement we get on this platform? And this is irrespective of the mix because eventually at some point of time Rizta will also move to EL platform. So what's the structural benefit we get in terms of cost improvement on EL?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
We'll have to give it some quarters to see where it lands up. But even within the first literally one or two months of production, when typically new products have a very elevated cost structure, Konarc like-to-like is a few thousand rupees cheaper compared to Rizta already right off the bat. And we

believe that with stabilizing production, this difference will expand quite materially. Again, sorry, Gunjan, it's very, very variant dependent, but I would not be surprised if a like-to-like version of Konarc is 6%, 7% better in gross margins to Rizta in the long term. That would be quite a believable long-term estimate.

Gunjan Prithyani - Analyst, Bank of America
Okay. Got it. And lastly, on the rollout of Konarc, you did share a little bit in the earlier part, but I'm just trying to understand a little bit more on how we've thought about rolling this out because it will take us about two quarters to ramp up the capacity and we're going very phase-wise essentially targeting newer markets in North, whereas I'm sure there is already a lot of inquiries and demand you must be seeing in your home market like South and middle of India. So I mean some philosophy and why did we follow this geo rollout as well as the INR99,000 variant which is where I think a lot of excitement lies which will expand the TAM. That comes only in quarter one or quarter two, basis the timeline that I recall from the community day. If you can just share your thoughts on how did we think about this rollout?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Yeah. So when we were planning Konarc's variant rollout many quarters ago, at that point, we had estimated that Konarc will provide us the much needed volume growth and hence market share growth in what would have been otherwise a normal market. At that point we had prioritized the entry versions of Konarc first and then the more higher end variants, the one with the more magical features.What happened as we got very close to Konarc's launch in ACD 2026, which is 29 August this year, the situation had changed quite a lot with us no longer having the capacity even to meet 450 Rizta demand, which basically then presented us with a very complicated situation that why would you want to go live with our entry variants of Konarc and cannibalize very, very high margin generating variants today? So we changed the sequence a little bit, which is why Konarc's mid variants, SR2 and SR3 have gone live today. SR1 will go live a few months later. It will go live by Q4. And SR1 going live is the one that we obviously believe can drive a much larger volume. So we only want to bring SR1 to the market when we have Aurangabad capacity available to us. Otherwise, it is honestly a margin loss for us, which is not very healthy.I would have loved to -- in current situation, I would have actually loved to launch Z first because of the demand that it has, but we can't change so much now. So mid variants are launching first, then we will see entry variants, and then we will see the high-end variants. Even within this, we have started with Northern markets first, then rest of India, then middle India and then Western India and then southern India. So you will see these growth levers stacked up one on top of other, consistently every other month. This gives us better control and also allows us to ensure that we are not essentially just dispersing our product across the country with no real depth anywhere. So that is why phase-wise, geography-wise launch.

Gunjan Prithyani - Analyst, Bank of America
Got it. All right. Thank you so much.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Thanks.

Operator
Thank you. The next question comes from the line of Krupashankar NJ with Avendus. Please go ahead.

Krupashankar NJ - Analyst, Avendus
Good evening, and thank you for the opportunity, and congrats on the great set of numbers. Just wanted to get a sense around the inquiries piece. Can you just give some color around demand across rural and urban clusters? How is it shaping up? We are hearing that rural is facing a lot of issues, so just wanted to get some sense around that.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Hey, hi. We aren't actually present in rural markets yet, so would be incorrect for me to really comment on that. What I can comment at a high level is that we are seeing Tier 2 city penetration rising faster than any other segment, Tier 1 or Tier 3. Particularly in the western part of the country, in places like Maharashtra, Madhya Pradesh -- sorry, particularly in middle India, by our definitions, we are seeing phenomenal Tier 2 penetrations. I think Tier 2 penetrations in Maharashtra are about 80%, 90%. So very healthy overall.I will not be able to comment on rural markets particularly, but yeah, Tier 1, Tier 3...

Krupashankar NJ - Analyst, Avendus
Tier 2 plus gives us a good picture of it. Thanks for that. The second one is on dealer network. While you did mention that capacity ramp-up is quite important for the scaling up of dealer network. Now that you have charted out how the capacity is going to come up over the next one year, how are you expecting to scale up your dealer network across geographies?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Absolutely. We're definitely looking at restarting the network expansion in a big way very soon now. Our teams have picked up the threads across the country. There are hundreds of LOIs that we've held up for the last few months. Because, as I said in the previous earnings call, it is very important for us that we set expectations correctly for our dealer partners, and we don't let them open up and do the capex if we can't supply healthily to them. But with now increasing higher capacity being cited for Hosur and AURIC Phase 1 going live very soon, expect us to start focusing on network expansion in a big way, actually from pretty much end of this quarter itself. So you will start seeing noticeable numbers from Q4 there.

Krupashankar NJ - Analyst, Avendus
Got it. And last question from my side. Just wanted to get a sense around the attach rates for AtherStack. Now you did mention in the previous call that in Konarc you are expecting that it should be close to about 70%-odd, but the recent launch, as you just mentioned earlier in the call, that it's as strong as Rizta. So are you probably seeing a revised attach rate expectation going ahead while maintaining it close to about 90%-odd, even as Konarc scales up? Is that a right assumption to make?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
I would say it is too early to make that assumption. We have only launched Konarc meaningfully in just a few handful of markets yet. So I would urge some more patience. While early signs are strong and heartening, it is also very likely that Konarc will be a bit more non-south heavy for us. So we will have to see how the final attach rates play out. I would say we will have to wait for at least two quarters to get a better sense here.

Krupashankar NJ - Analyst, Avendus
Got it. Thanks a lot for answering my questions. I will get back in queue.

Operator
Thank you. The next question comes from the line of Yash Agarwal with Nirmal Bang. Please go ahead.

Yash Agarwal - Analyst, Nirmal Bang Institutional Equities
Hi, sir. Thank you for the opportunity. I just wanted to know what the current experience center breakup is like in advertence. It was around 700 stores we had added in the first half. What is the expansion plan for the rest of the year? Hello?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Sorry. So I think we have added roughly less than 50 more experience centers in the last two quarters. As I said in the previous question also, we took a conscious call to slow down network expansion because we did not want dealers to sit on without inventory. We will restart network expansion in the next couple of months.

Yash Agarwal - Analyst, Nirmal Bang Institutional Equities
And also like our non-vehicle sales revenue is around 15%. That used to be around 11%, 12% last year. So could you please provide a breakup of that non-vehicle revenue? How much is coming from software? How much from the other revenue streams?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
I'm sorry, I don't think we are providing that breakup right now. The bulk of this continues to be, I think more than 50% continues to be AtherStack Pro, with probably a reasonably equal split between accessories and servicing.

Yash Agarwal - Analyst, Nirmal Bang Institutional Equities
And what is the typical margin profile for non-vehicle revenue versus the vehicle sales? If you have some tentative idea, like how much it is?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Yeah, very different margin structures fundamentally. So something like accessories will be probably in the 30% to 40% kind of gross margin structure. Something like spares will be 40%, 45%, maybe. Again, it's a range, will change once in a while. And something like AtherStack Pro is almost 80%, 90% gross margin for us.

Yash Agarwal - Analyst, Nirmal Bang Institutional Equities
Okay. And just one last question on electric motorcycle launch timeline. So are we planning to like launch it initially from FY '27 or FY '28 or our plans remain same, like it will take at least two years?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
I have no guidance right now for electric motorcycles. We continue to work, we continue to develop the tech, but we will refrain from sharing any timelines for motorcycles today.

Yash Agarwal - Analyst, Nirmal Bang Institutional Equities
Okay, sir. Thank you.

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Thank you.

Operator
Thank you. The next question comes from the line of Nikhil Kale with Invesco. Please go ahead.

Nikhil Kale - Analyst, Invesco Mutual Fund
Yeah, hi. Hi, Tarun. Congrats on the really good set of numbers. So just one question. You spoke about the prioritization of the variants and geographies. So just want to understand, typically what we've seen is OEMs, when you operate in a situation when demand kind of outstrips supply, tend to prioritize the top variant, right? So I think we have gone with this particular thought process. But now, how much freedom do we have to maybe accelerate the high-end variant launch and maybe just change that sequence? Is the flexibility there?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Nikhil, in theory, there is flexibility, but not one that we would likely exercise, because such a last-minute change to industrialization plans tends to cause more chaos and probably inefficiencies in spends. So we will stay with the plan. We've already tweaked it enough with the mid variants being prioritized over the entry variant. Beyond this, the entry variant will come first and then the top-end variants. Largely, we should be okay because Rizta top-end variant demand has been also frankly, quite fantastic. If anything, I think Konarc will present us with a great opportunity to expand margins a bit more. But I think it's okay for the market to wait for a few months, while we continue executing on our current plans.

Nikhil Kale - Analyst, Invesco Mutual Fund
And any quantitative data around the kind of interest you would have seen for the entry versus mid versus premium variants of Konarc?

Tarun Sanjay Mehta - Executive Director and Chief Executive Officer, Ather Energy Limited
Unfortunately, I would not call it quantitative because those are just qualitative feedbacks from sales channels and sales channels are right now super excited. Qualitatively, I can tell you, I have heard things like people walking into showrooms in northern markets and asking for the scooter, [Foreign Speech]. But honestly, I would not read anything into it. That is just early good viral marketing. We'll have to see once we put the product out, how people take to it. But we are obviously very happy with the early response, so we are excited.

Nikhil Kale - Analyst, Invesco Mutual Fund
Understood. Okay, thanks.

Operator
Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Murali for closing comments.

Murali Sashidharan - Head of Public and Government Relations, Ather Energy Limited
Yeah, thank you. Thank you, everyone. We really appreciate all of you joining us today and taking the time. We look forward to updating you on our developments in the next few quarters and wishing you all a great week ahead. Thank you.

Operator
[Operator Closing Remarks]