



EPS growth set to resume from 3Q

Amara's 2Q results were largely in line with estimates, with steady revenue growth and sequential improvement in margins (although down yoy). Mgmt. guided for 8-10% revenue growth in FY26 and FY27, in line with our estimates. Amara's margins had come off sharply from ~15% in 2HFY24 to 11.5% in the last two quarters. Margins are now on an improving trajectory with multiple catalysts (new plant, normalisation of lumpy costs, battery recycling). After four quarters of average 20% EPS decline, we expect Amara to clock 20% yoy growth in EPS in 2HFY26 and FY27. This is driven by steady revenue growth and normalisation of margins. Retain ADD with TP of Rs1120 (14% upside).

2Q results largely in-line: Rev grew 8% yoy and came in 3% above our estimate. Gross margin expanded 330bps qoq to 32.8% in 2QFY26 due to lower RM and better mix and beat our expectations by 180bps. A sharp rise in operating costs meant that Ebitda margin improved only 40bp qoq to 12.0% (17bps miss). Absolute Ebitda is largely in line with estimates and adj. PAT beat estimates by 2%. The rise in costs was due to lumpy EPR provision of Rs350mn; this should normalise from 3Q. Adjusted for this, Ebitda margin stands at 13.0%, a sharp improvement from 11.5% levels seen in preceding two quarters.

Revenue growth likely to be steady: 2Q saw a mixed picture with high revenue growth in Auto OEM (GST cut, festive spike) and low growth in after-market (dealers postponed buying before GST cut). This should even out in 3Q, with higher growth in after-market (pent-up from 2Q) and normalisation of OEM segment. Overall, mgmt. retained their guidance of 8-10% revenue growth for FY26 and FY27.

Margins looking up; EPS growth set to resume: Over the past two years, Amara's Ebitda margin came off from ~15% to 11.5%. In 2QFY26, margins improved to 12.0% on reported basis and 13.0% if we adjust for lumpy EPR provision. Mgmt. mentioned that Amara aspires to maintain 13.0% in the near term, with an eventual goal of getting to 14.0%. Key multiple catalysts are i) Moderation of lumpy overheads incl. elevated warranty costs, ii) Ramp-up of tubular battery plant which will convert low-margin trading revenue to high-margin, iii) Battery recycling plant. This should drive strong earnings growth in coming quarters.

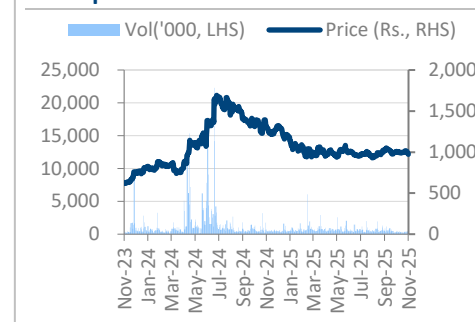
Result update

CMP	Rs980	Price performance (%)			
12-mth TP (Rs)	1120 (14%)		1M	3M	1Y
Market cap (US\$m)	2,023	Absolute (Rs)	(2.6)	4.6	(25.3)
Enterprise value(US\$m)	2,004	Absolute (US\$)	(2.5)	3.4	(28.9)
Bloomberg	ARENM IN	Relative Perf.	(2.4)	2.8	(23.4)
Sector	Auto	Cagr (%)		3 yrs	5 yrs
		EPS (Rs)		15.9	3.8

Shareholding pattern (%)

Promoter	32.9
Pledged (as % of promoter share)	0.0
FII	18.0
DII	16.2
52Wk High/Low (Rs)	1323/930
Shares o/s (m)	183
Del Value 3mth avg (US\$ m)	3.1
Dividend yield FY27ii (%)	1.2
Free float (%)	67.1

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	112,603	124,049	136,161	149,198	162,812
Ebitda margins (%)	14.4	13.1	12.5	13.5	13.8
Pre-exceptional PAT (Rs m)	9,059	8,528	8,830	10,807	12,356
Reported PAT (Rs m)	9,059	9,639	9,743	10,807	12,356
Pre-exceptional EPS (Rs)	52.1	46.6	48.2	59.0	67.5
Growth (%)	19.9	-10.6	3.5	22.4	14.3
IIFL vs consensus (%)			(3.1)	(0.1)	2.5
PER (x)	18.8	21.0	20.3	16.6	14.5
ROE (%)	15.6	12.8	12.1	13.4	13.7
Net debt/equity (x)	0.0	0.0	0.0	0.0	0.0
EV/Ebitda (x)	10.4	10.9	10.7	9.0	8.0
Price/book (x)	2.7	2.6	2.3	2.1	1.9
OCF/Ebitda (x)	0.8	0.8	0.8	0.8	0.8

Source: Company, IIFL Research. Priced as on 07 November 2025

Figure 1: Amara Raja – 2QFY26 Ebitda in-line

Rsmn	2QFY25	1QFY26	2QFY26	% YoY	% QoQ
Net Sales	31,358	33,499	33,882	8.0	1.1
Raw Material	21,212	23,629	22,776	7.4	(3.6)
Employee costs	1,899	1,976	2,231	17.5	12.9
Other Expenditure	3,841	4,028	4,816	25.4	19.6
Ebitda	4,407	3,867	4,059	(7.9)	5.0
Depreciation	1,220	1,292	1,380	13.1	6.8
Interest	131	104	83	(37.1)	(20.2)
Other income	185	139	241	30.4	72.7
Exceptional items	0	0	-1,218		
PBT	3,240	2,610	4,056	25.2	55.4
Tax	833	670	1,032	23.9	54.0
Reported PAT	2,407	1,940	3,024	25.6	55.9
Exceptional items	0	0	-913		
Pro-Forma PAT	2,407	1,940	2,111	(12.3)	8.8
Gross margin	32.4%	29.5%	32.8%	42 bps	331 bps
EBITDA margin	14.1%	11.5%	12.0%	(207) bps	44 bps
Adj. PAT margin	7.7%	5.8%	6.2%	(145) bps	44 bps

Source: Company, IIFL Research

AMRJ's 2QFY26 revenue grew 8% yoy and came in 3% above our estimate.

Absolute Ebitda is largely in line with estimates and adj. PAT beat estimates by 2%.

Gross margin expanded 330bps qoq to 32.8% in 2QFY26 due to lower RM and better mix and beat our expectations by 180bps.

Ebitda margin improved 40bp qoq to 12.0% (17bps miss).

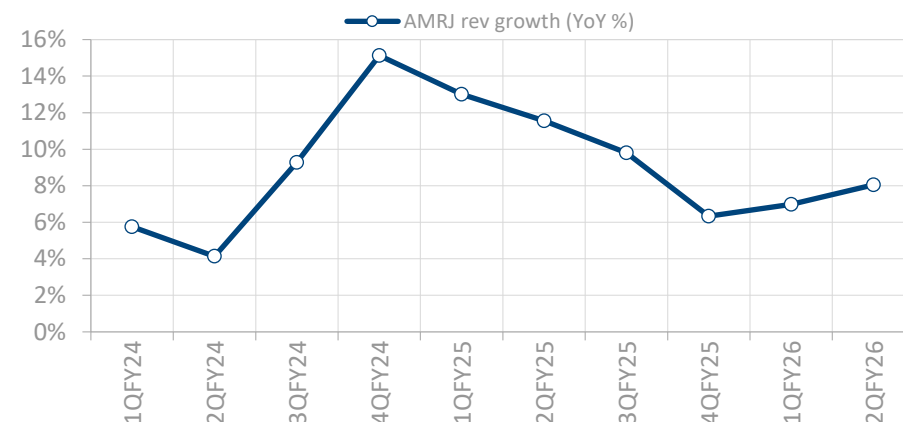
Conference call: Key takeaways

1. Lead acid business grew 5% yoy and contributed 95% to total revenue, with the remaining coming from the new energy business.
2. OEM segments saw a demand surge in 2Q (+30% yoy) led by pre-festive production ramp-ups and GST revisions. Mgmt. expects normalisation of growth in H2FY26.
3. On the other hand, after-market segment was weak with low-single-digit growth, as dealers postponed purchases before GST cut. This should even out in 3Q.
4. Lead acid industrial segment declined 11% yoy due to decline in demand for lead acid batteries from telecom sector. However, Li-ion battery demand from Telecom segment saw strong growth. In lead acid segment of Telecom, Amara is the market leader with 50% mkt-share. In the Li-ion segment, there is higher competition with more players.
5. Exports growth was muted in 2QFY26 due to weak demand following levy of tariff. This is expected to improve in coming quarters.
6. Gross Margins improved qoq due to fall in antimony prices (-10%), pre-existing low-priced lead inventory and a favourable revenue mix (lower trading revenue).
7. Tubular battery plant commenced commercial production and shall ramp up in coming quarter.
8. A one-time EPR provision of Rs350mn was recognized to comply with new scrapping collection norms (collection target raised from 70% to 90%). Mgmt. clarified this is non-recurring, with limited ongoing impact.
9. Mgmt. guided for a capex of Rs14-15bn for FY26 at the consolidated level. Of this, about Rs6bn would be incurred in the standalone entity and remaining would be in the Li-ion subsidiary.

10. Amara has been looking for alternative sources for import of machinery for Li-on cells, apart from China owing to clearance issues.

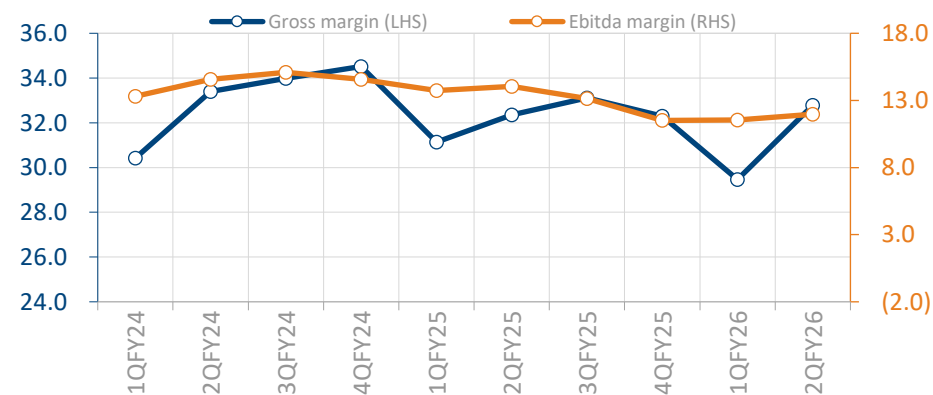
11. Mgmt. has given a margin guidance of 13% in the near term, with the goal of eventually going back to 14% levels in the long term.

Figure 2: Revenue growth stays steady

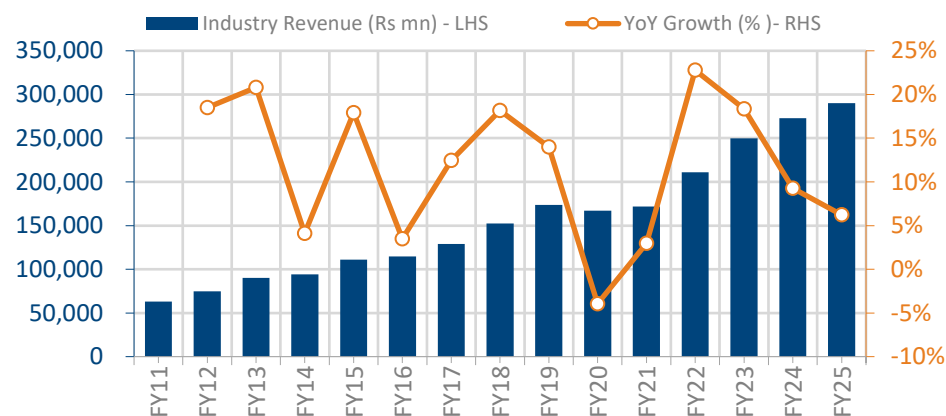


Source: Company; IIFL Research

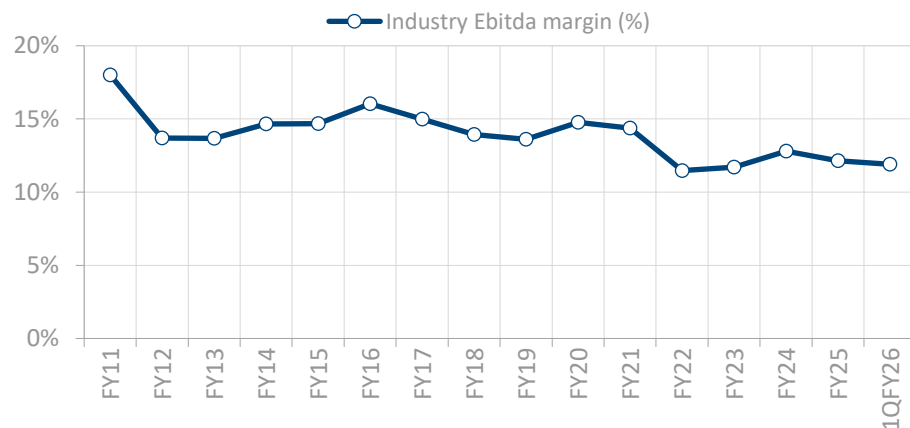
Figure 3: GM expanded 330bps qoq in 2QFY26, partly lower RM and partly revenue mix



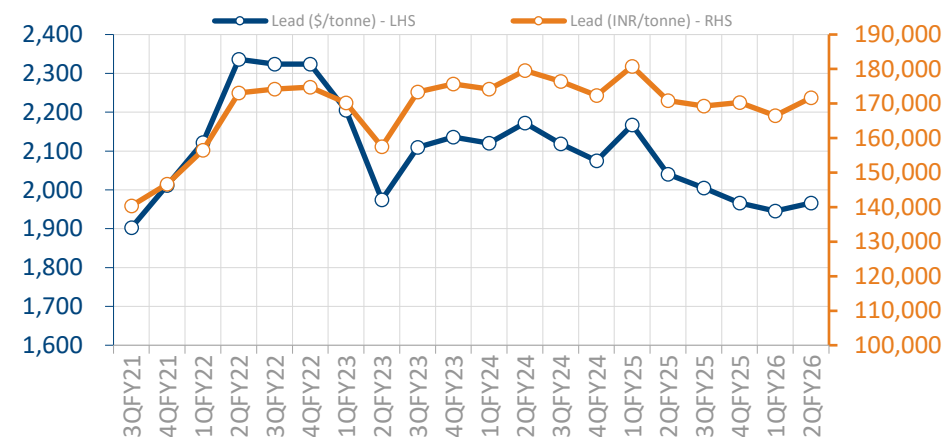
Source: Company; IIFL Research

Figure 4: Battery industry – Only one instance of revenue decline in last 25 years


Source: Company, IIFL Research; Industry growth based on aggregate revenue of Exide & AMRJ

Figure 5: Industry Ebitda margin has come off from pre-Covid levels


Source: Company, IIFL Research; Industry margins based on 'Exide + AMRJ'

Figure 6: Lead price has started inching upwards recently


Source: Bloomberg, IIFL Research

Figure 7: Amara Raja – Summary of estimates

Financials (in Rsmn)	FY24	FY25	FY26ii	FY27ii	FY28ii
Revenue	112,603	124,049	136,161	149,198	162,812
Revenue growth	8.4%	10.2%	9.8%	9.6%	9.1%
Ebitda	16,214	16,291	17,033	20,183	22,528
Ebitda margin	14.4%	13.1%	12.5%	13.5%	13.8%
PAT	9,059	8,528	8,830	10,807	12,356
PAT growth	22.1%	-5.9%	3.5%	22.4%	14.3%
EPS (Rs)	52.1	46.6	48.2	59.0	67.5

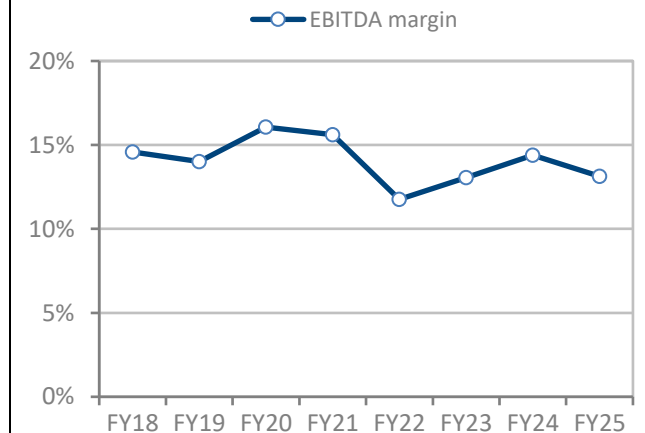
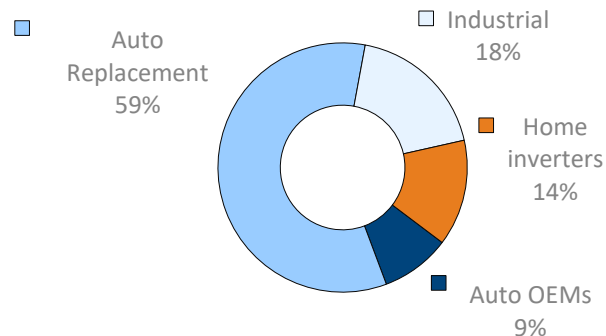
Source: Company, IIFL Research

Background: Amara Raja Energy & Mobility Limited, the flagship company of the Amara Raja Group, is the technology leader and one of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in the Indian storage battery industry. The leading brands of the company are 'Amaron', 'PowerZone', 'Power Stack', 'AmaronVolt' and 'Quanta'. Its erstwhile association with Johnson Controls enhanced Amara Raja's technological capabilities and enabled it to steadily increase market share. It has introduced innovative products such as Valve Regulated Lead Acid (VRLA) batteries in both, the industrial and 2W segments. The company offers Li-ion cells, battery packs and charging solutions for light electric vehicles and telecom industry.

Management

Name	Designation
Jayadev Galla	Chairman & MD
Y Delli Babu	CFO
S Vijayanand	CEO - ARACT

Revenue split by segments (FY25)



PE Chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues	112,603	124,049	136,161	149,198	162,812
Ebitda	16,214	16,291	17,033	20,183	22,528
Depreciation and amortisation	(4,787)	(4,921)	(5,543)	(5,948)	(6,256)
Ebit	11,427	11,370	11,490	14,235	16,272
Non-operating income	1,015	933	770	746	787
Financial expense	(332)	(422)	(400)	(475)	(475)
PBT	12,110	11,881	11,860	14,506	16,585
Exceptionals	0	1,111	1,218	0	0
Reported PBT	12,110	12,992	13,078	14,506	16,585
Tax expense	(3,052)	(3,353)	(3,335)	(3,699)	(4,229)
PAT	9,059	9,639	9,743	10,807	12,356
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	9,059	9,639	9,743	10,807	12,356

Ratio analysis

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Per share data (Rs)					
Pre-exceptional EPS	52.1	46.6	48.2	59.0	67.5
DPS	9.9	10.5	10.0	12.0	13.0
BVPS	364.7	379.7	417.5	466.5	522.0
Growth ratios (%)					
Revenues	8.4	10.2	9.8	9.6	9.1
Ebitda	19.6	0.5	4.6	18.5	11.6
EPS	19.9	(10.6)	3.5	22.4	14.3
Profitability ratios (%)					
Ebitda margin	14.4	13.1	12.5	13.5	13.8
Ebit margin	10.1	9.2	8.4	9.5	10.0
Tax rate	25.2	25.8	25.5	25.5	25.5
Net profit margin	8.0	7.8	7.2	7.2	7.6
Return ratios (%)					
ROE	15.6	12.8	12.1	13.4	13.7
ROIC ex goodwill	18.1	18.2	17.8	21.8	25.2
ROIC	17.3	16.7	16.4	20.0	23.1
Solvency ratios (x)					
Net debt to Ebitda	(0.1)	(0.1)	0.1	0.1	0.1
Interest coverage	34.4	26.9	28.7	30.0	34.3

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Cash & cash equivalents	3,694	4,303	3,553	3,203	3,776
Inventories	18,095	20,364	22,382	24,216	26,360
Receivables	10,171	11,428	12,544	13,745	14,999
Other current assets	5,522	3,318	3,642	3,990	4,354
Creditors	8,398	10,465	11,487	12,587	13,736
Other current liabilities	9,847	12,366	13,602	14,610	15,881
Net current assets	19,237	16,581	17,032	17,957	19,872
Fixed assets	33,923	38,580	39,537	37,589	35,833
Intangibles	517	328	328	328	328
Investments	12,142	17,330	25,830	35,830	45,830
Other long-term assets	0	0	0	0	0
Total net assets	65,818	72,819	82,726	91,703	101,863
Borrowings	1,527	2,583	5,583	5,583	5,583
Other long-term liabilities	885	732	732	732	732
Shareholders equity	63,407	69,503	76,411	85,387	95,547
Total liabilities	65,818	72,819	82,726	91,703	101,863

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Ebit	11,427	11,370	11,490	14,235	16,272
Tax paid	(3,289)	(3,283)	(3,335)	(3,699)	(4,229)
Depreciation and amortization	4,787	4,921	5,543	5,948	6,256
Net working capital change	(271)	85	(1,200)	(1,275)	(1,343)
Other operating items	488	659	304	0	0
Operating cash flow before interest	13,142	13,752	12,802	15,209	16,956
Financial expense	(188)	(253)	(400)	(475)	(475)
Non-operating income	49	30	770	746	787
Operating cash flow after interest	13,004	13,530	13,172	15,481	17,269
Capital expenditure	(5,425)	(6,522)	(6,500)	(4,000)	(4,500)
Long-term investments	(4,085)	(6,907)	(8,500)	(10,000)	(10,000)
Others	1,202	1,828	0	0	0
Free cash flow	4,696	1,929	(1,828)	1,481	2,769
Equity raising	0	0	0	0	0
Borrowings	(871)	590	3,000	0	0
Dividend	(1,367)	(1,904)	(1,922)	(1,830)	(2,196)
Net chg in cash and equivalents	2,458	616	(750)	(350)	572

Source: Company data, IIFL Research

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Key to our recommendation structure

BUY - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

SELL - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

Add - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

Reduce - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

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Price Target: Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

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Amara Raja Energy & Mobility: 3 year price and



Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
19 Aug 2025	ADD	955	1090	14.1
02 Jun 2025	REDUCE	1031	1020	-1.1
11 Feb 2025	REDUCE	1032	1080	4.7
30 Sep 2024	REDUCE	1330	1170	-12.0
24 May 2023	REDUCE	635	580	-8.7
20 Dec 2022	ADD	648	650	0.3
04 Nov 2022	ADD	520	630	21.1