

# AMARA RAJA ENERGY & MOBILITY LTD

Rating: ◀▶ | Target price: ◀▶ | EPS: ▲

## ONE YEAR OUTLOOK

### Business & Earnings ◀▶

- Maintain our ADD rating on ARENM with a TP of Rs. 1,035. ARE&M is likely to benefit from healthy aftermarket growth and thrust on export segment (albeit weak in FY26). We believe the advent of alternate fuel vehicles (CNG, LNG etc.) would aid lead acid growth. We factor in steady pickup in demand for lithium battery pack and EV chargers (1HFY26 revenues of Rs. 2.9bn) as AREN&M leverages its existing relationships across automotive and industrial clientele. ARENM's 16 GWH Li-ion cell manufacturing facility in Telangana would be commissioned in a staggered manner with 2 GWH (phase-1) NMC capacity expected by 4QFY27. However, we believe partial benefits of li-ion manufacturing are factored in, especially ARE&M's strategic agreement with Ather Energy & favourable sourcing benefits from tie-up with GIB (Gotion) for LFP & Jiangsu Highstar for NMC.
- In 2QFY26, lead acid revenues were up 5% YoY aided by healthy growth in automotive OEM (~30% YoY) and aftermarket (2W/4W – 2%/flat YoY). Industrial segment declined ~11% YoY as telecom segment declined 35% YoY due to ongoing transition to Li-ion. Revenue from EV chargers & Lithium Battery Packs was at Rs. 1.7bn, up 70% YoY, due to incremental supplies to telecom sector. We pencil in an overall revenue growth of ~7% (FY25-28E). EBITDA margins was up 50bps QoQ as benefits of RM cost (330bps QoQ) was offset by higher other expenses (220 bps). Margins are likely to improve led by commissioning of lead smelting unit and shift from traded to manufacturing of tubular batteries in FY27E.
- Expect FY26-FY28E capex at ~Rs. 38bn towards 1) Li-ion cell capacities, 2) existing line expansion and 3) maintenance capex.

### Valuation Multiples ◀▶

- Our TP of Rs. 1,035 is based on 16x Sep-27E (roll forward from FY27) EPS with Rs. 974 from lead acid and Rs. 63 from Li-ion operations (DCF-based due to back-ended benefits). The multiple factors in robust growth in lead acid aftermarket & export segment, coupled with margin expansion led by operating efficiencies.

## FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY24	1,12,603	14.4	9,059	49.5	20	11	14
FY25	1,24,049	13.1	9,639	52.7	19	11	14
FY26E	1,35,119	12.4	9,672	52.9	21	11	11
FY27E	1,45,600	14.0	11,352	62.0	16	8	13
FY28E	1,55,784	14.0	12,406	67.8	14	8	13

CMP  
Rs. 980

Target Price  
Rs. 1,035

Rating  
ADD



## THREE YEAR OUTLOOK

### Business & Earnings ◀▶

- In June 2024, ARACT (100% subsidiary of ARENM) announced a technical licensing agreement with GIB EnergyX Slovakia s.r.o.(GIB), a JV between Gotion High-Tech Co Ltd, China and InoBat, Slovakia. The agreement allows ARACT to 1) access cell technology IP, 2) seek support to establish Gigafactory facilities confirming the latest generation process technologies, 3) integrate with Gotion's global supply chain network for critical battery materials, and 4) provide customer technical support for solution deployment. The company had developed the 2170 NMC cell in its Advanced Lithium Technology Research Hub in collaboration with Jiangsu Highstar. The company intends to set up 16 GWH cell manufacturing capacities (Phase 1: 2GWH by FY27 focused on NMC chemistry, Phase 2: 8 GWH by FY30). ARENM aims to send test samples to secure approvals from various OEMs & fleet operators for commercial supplies, and we expect benefits to accumulate in the long run.
- ARENM's growth in lead acid would be led by an increasing market share in export, AM/OEM markets. The company plans to enhance its footprint in the export market wherein it has incorporated many subsidiaries. ARENM also plans to establish a strong presence in the motive power space due to the thrust on warehousing. However, the growing competitive intensity would be a key monitorable for margin expansion.

### Valuation Multiples ◀▶

- Expect ARENM to report a consolidated revenue and EBITDA CAGR of 9% & 10%, respectively, over FY25-29E. While return ratios are likely to be under duress due to significant capex, anticipate ramp-up in li-ion capacities to improve operating efficiencies/return profile.

## KEY ESTIMATES REVISION

	FY26E			FY27E		
	Old	New	Change	Old	New	Change
Sales	1,33,935	1,35,119	1%	1,44,186	1,45,600	1%
EBITDA (%)	12.7	12.4	-30 bps	14.0	14.0	0 bps
PAT	8,897	8,665	-3%	11,194	11,352	1%
EPS	48.6	47.3	-3%	61.2	62.0	1%
PE	Before Results:		16.0	After Results:		16.0

All figures in Rs.Mn

\*EBITDA margins declined due to an exceptional of ~Rs. 1.2 bn (Business Interruption insurance claim - Chittoor plant fire).

## OUTLOOK REVIEW 2QFY26 10 November 2025

Industry AUTOMOBILE

### Key Stock Data

Bloomberg	ARENM IN
Shares o/s	183mn
Market Cap	Rs. 179bn (\$2,023mn)
52-wk High-Low	Rs. 1,360-805
3m ADV	Rs. 511mn (\$6mn)
F&O	Yes

### Latest Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoters	32.9	32.9	32.9
Institutions	35.2	35.3	34.2
Public	31.9	33.8	32.9
Pledge	0.0	0.0	0.0

### Stock Performance (%)

	1m	3m	12m
ARENM	-2.0	4.6	-24.1
Sensex	1.3	4.2	4.7

## RESEARCH ANALYSTS

**Mukesh Saraf**  
mukesh.s@avendusspark.com  
+91 44 4344 0041

**Ramakrishnan Seshan**  
Ramakrishnan.s@avendusspark.com  
+91 44 4344 0020

**N.J. Krupashankar**  
krupashankar.n@avendusspark.com  
+91 44 4344 0098

Quarterly Financial Statement

- Standalone revenue for the quarter came in at ~Rs. 33.9 bn, up ~8% YoY and up 1% QoQ.
- Based on segmental disclosures (consolidated), lead acid segment revenue was at Rs. 33.0 bn, up 5% YoY and up 1% QoQ. Lead acid EBIT margins was at 11.9%, up 420 bps QoQ. Li-ion revenues was at Rs. 1.7 bn, up 69% YoY and up 40% QoQ. Li-ion EBIT margins was at -28.7%.
- Gross margin at 32.8%, increased ~330 bps QoQ.
- Absolute employee costs increased 17% YoY. As % of revenue, the same was up 70 bps QoQ. Absolute other expenses increased 25% YoY. As % of revenue, the same was up 220 bps QoQ.
- Consequently, EBITDA came in at Rs. 4.1 bn, down 8% YoY and up 5% QoQ. EBITDA margin came in at 12.0%, up 40 bps QoQ.
- Depreciation for the quarter at Rs. 1.38 bn was up ~13% YoY. Other income came in at Rs. 241 mn, up 30% YoY.
- During the quarter, the company recognized an exceptional item of ~Rs. 1.2 bn as a Business Interruption insurance claim related to the 30-Jan-2023 Chittoor plant fire.
- PAT adjusted for exceptional items for the quarter stood at Rs. 2.1 bn, down 13% YoY and up 9% QoQ.
- The company infused ~Rs. 3.5bn in the quarter into its wholly-owned subsidiary, Amara Raja Advanced Cell Technologies Pvt Ltd (ARACT) towards equity; cumulative investment in ARACT now stands at ~Rs. 12bn.

Standalone Financial Results

Rs. mn\Period	2QFY26	2QFY25	yoy Growth	1QFY26	qoq Growth	1HFY26	1HFY25	Yoy Growth
Revenue	33,882	31,358	8.0%	33,499	1.1%	67,381	62,670	7.5%
Raw Material	22,776	21,212	7.4%	23,629	-3.6%	46,404	42,775	8.5%
Employee Cost	2,231	1,899	17.5%	1,976	12.9%	4,207	3,755	12.0%
Other Expenses	4,816	3,841	25.4%	4,028	19.6%	8,844	7,430	19.0%
Total Expenditure	29,822	26,952	10.7%	29,633	0.6%	59,455	53,960	10.2%
EBITDA	4,059	4,407	-7.9%	3,867	5.0%	7,926	8,710	-9.0%
Margin %	12.0%	14.1%	-207 bps	11.5%	44 bps	11.8%	13.9%	-214 bps
D&A	1,380	1,220	13.1%	1,292	6.8%	2,672	2,403	11.2%
EBIT	2,679	3,186	-15.9%	2,574	4.1%	5,254	6,307	-16.7%
Other income	241	185	30.4%	139	72.7%	380	440	-13.6%
Net Interest exp (inc)	82.6	131.3	-37.1%	103.5	-20.2%	186.1	221.0	-15.8%
PBT	2,838	3,240	-12.4%	2,610	8.7%	5,448	6,526	-16.5%
Tax provision	1,032	833	23.9%	670	54.0%	1,702	1,674	1.7%
Tax rate %	36.4%	25.7%	1065 bps	25.7%	1068 bps	31%	26%	559 bps
PAT (Reported)	3,024	2,407	25.6%	1,940	55.9%	4,964	4,853	2.3%
PAT (Adjusted)	2,097	2,407	-12.9%	1,929	8.7%	4,026	4,853	-17.0%
Adjusted PAT Margin %	6.2%	7.7%	-149 bps	5.8%	43 bps	6.0%	7.7%	-177 bps
Shares Outstanding	183	183		183		183	183	
EPS (Reported)	16.5	13.2	25.6%	10.6	55.9%	27.1	26.5	2.3%
EPS (Adjusted)	11.5	13.2	-12.9%	10.5	8.7%	22.0	26.5	-17.0%

Source: Company data, Avendus Spark Research

Abridged Financials

in Rs. Bn	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Standalone operations (Lead Acid)</b>								
Revenues	101.4	111.9	123.5	131.7	142.0	152.0	163.0	174.5
YoY (%)		10%	10%	7%	8%	7%	7%	7%
EBITDA	14.3	16.1	16.2	16.3	19.9	21.3	22.8	24.4
EBITDA (%)	14.1%	14.4%	13.1%	12.4%	14.0%	14.0%	14.0%	14.0%
PAT	7.8	9.0	8.8	8.5	10.7	11.5	12.4	13.3
PAT (%)	7.7%	8.0%	7.2%	6.4%	7.6%	7.5%	7.6%	7.6%
Net Block	36.9	35.5	34.7	35.3	34.4	33.1	32.0	30.6
Advance Cell Tech subsidiary (Non-current investment)	4.6	12.1	19.4	28.4	30.9	41.9	52.5	62.7
Cash & cash equivalents	1.2	3.7	2.3	0.4	7.0	6.3	6.4	7.9
Net Working Capital	17.1	14.5	11.1	10.8	11.4	12.2	13.1	14.0
NWC days	62	47	33	30	29	29	29	29
Capital Employed - Lead Acid	59.9	65.9	67.5	74.8	83.7	93.5	104.0	115.2
<b>Li-Ion cell manufacturing operations</b>								
Revenues				0.0	0.0	8.8	20.3	30.8
YoY (%)							131%	51%
EBITDA				0.0	0.0	-0.4	0.0	0.8
EBITDA (%)						-5.0%	0.0%	2.5%
PBT		Immaterial		0.4	0.4	-1.8	-2.2	-2.2
PBT (%)						-20.7%	-10.9%	-7.1%
Net Block				15.8	18.3	27.7	35.8	42.9
Net Working Capital				0.0	0.0	0.7	1.7	2.5
NWC days				30	30	30	30	30
Capital Employed - Li-ion				15.8	18.3	28.4	37.5	45.4
<b>Consolidated</b>								
Revenues	103.9	117.1	128.5	131.7	142.0	160.8	183.3	205.3
YoY (%)		13%	10%	3%	8%	13%	14%	12%
EBITDA	14.4	16.5	16.1	15.8	20.0	21.6	23.8	26.3
EBITDA (%)	13.8%	14.1%	12.5%	12.0%	14.1%	13.5%	13.0%	12.8%
EBIT	9.6	11.6	11.0	10.1	13.9	13.4	14.4	15.9
EBIT (%)	9.2%	9.9%	8.6%	7.7%	9.8%	8.3%	7.9%	7.7%
PAT	7.6	9.2	8.6	8.2	10.9	10.5	11.2	12.3
PAT (%)	7.3%	7.8%	6.7%	6.2%	7.7%	6.5%	6.1%	6.0%
Net Block	36.9	39.4	42.0	51.3	52.8	60.5	67.3	72.6
Cash & cash equivalents	1.2	3.7	2.3	0.4	7.0	6.3	6.4	7.9
Net Working Capital	17.1	14.5	11.1	10.8	11.4	12.9	14.7	16.5
NWC days	60	45	32	30	29	29	29	29
Capital Employed - Consolidated	55.2	57.7	55.4	62.5	71.2	79.8	88.5	97.0

Amara Raja Energy & Mobility Outlook Review 2QFY26 | Rating: ADD | TP: Rs. 1,035

Our base case analysis indicates that li-ion business is valued at Rs. 9bn assuming a projected utilization level of 16 GWh (85% utilization level) and margins of 9% for FY35. Also, the LAB segment contributes Rs. 974/share to an overall TP of Rs. 1,035

Amara: Li-ion Batteries (Li-Ion)	FY23-25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Revenue (Rs. Bn)		0.0	0.0	8.8	20.3	30.8	39.5	52.8	69.0	88.4	97.3
YoY (%)					131%	51%	28%	34%	31%	28%	10%
EBITDA (Rs. Bn)		0.0	0.0	-0.4	0.0	0.8	2.0	3.7	5.2	7.1	8.8
% Margins	Immaterial			-5.0%	0.0%	2.5%	5.0%	7.0%	7.5%	8.0%	9.0%
Capex (Rs. Bn)		9.0	2.6	11.0	10.6	10.2	12.6	12.3	11.6	11.3	7.0
FCFF (Rs. Bn)		-9.0	-2.6	-12.2	-11.5	-10.3	-11.4	-9.7	-7.8	-5.9	1.0
RoIC (%)		0%	0%	-7%	-6%	-4%	-3%	-1%	0%	1%	3%

Lithium-Ion Operations	FY27
Terminal Growth (%)	6%
WACC (%)	13%
Discounted FCFF (Rs. Bn)	-34.0
PV of Terminal Value (Rs. Bn)	39.1
EV (Rs. Bn)	5.1
Less: Net Debt/(net Cash) (Rs. Bn)	-4.7
Implied Market Cap (Rs. Bn)	9.8
Outstanding Shares (Mn)	171
Target Price (Rs.)	57

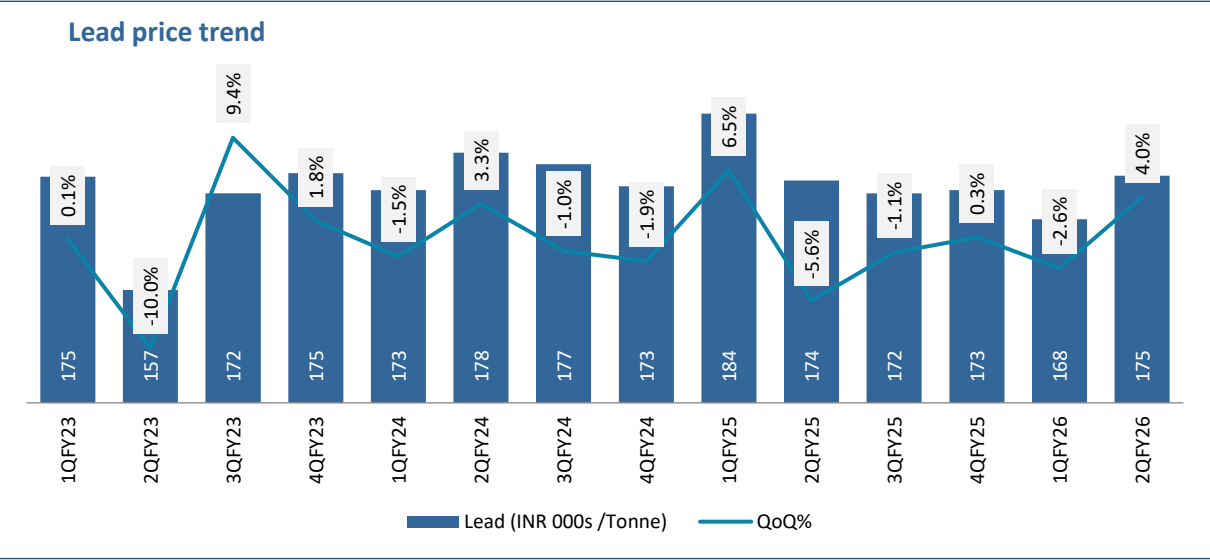
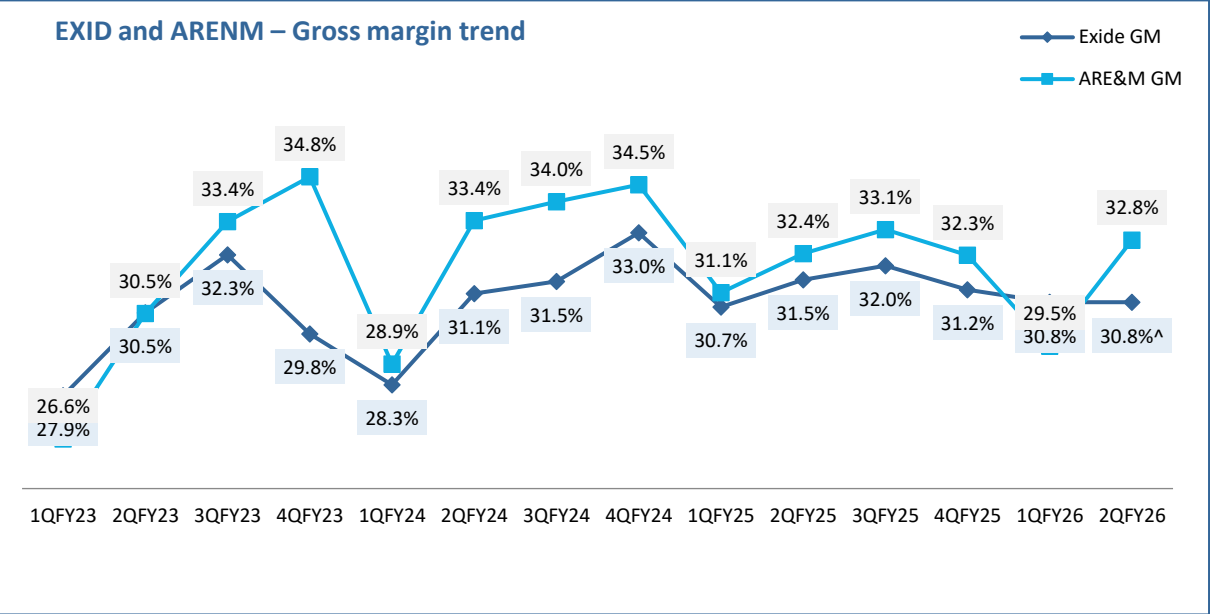
Key Assumptions	FY26	FY30	FY35
Capacities (GWh)	2.0	6.5	15.5
Utilisation (%)	0%	60%	75%
Battery Pack (\$/KWh)	102	91	96
<ul style="list-style-type: none"><li>Factoring higher li-ion adoption across automotive, telecom, and energy storage solutions for key end-user industries.</li><li>Margins estimated to be lower than EXIDE due to lack of sourcing tie-up and technical partnership.</li><li>Incremental capex per GWh estimated to reduce with increasing scale</li></ul>			

Amara: Consolidated (LaB + Li-ion)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
RoIC (%)	13%	16%	15%	13%	16%	15%	14%	14%	14%	15%	16%	17%	19%
	FY27E	FY29E											
P/E Multiple	16	15											
Lead Acid EPS (Rs. )	60.7	67.6											
Lead Acid TP (Rs.) (A)	974	1,014											
Li-Ion TP (Rs.) (B)	63	141											
Total TP (Rs.) (A+B)	1,035	1,155											

Segmental results & Margin Profile

Segmental Results (Consol)	2QFY26	1QFY26	QoQ growth	2QFY25	YoY growth	1HFY26	1HFY25	YoY growth
Revenues								
Lead acid	32,970	32,798	1%	31,501	5%	65,768	62,874	5%
Others (New Energy)	1,700	1,213	40%	1,007	69%	2,913	2,264	29%
TotalRevenue	34,670	34,011	2%	32,507	7%	68,681	65,138	5%
EBIT								
Lead acid	3,939	2,530	56%	3,158	25%	6,469	6,220	4%
Others (New Energy)	-487	-352	38%	-143	241%	-839	-85	891%
Total EBIT	3,452	2,178	59%	3,015	14%	5,630	6,135	-8%
EBIT Margins								
Lead acid	11.9%	7.7%	423 bps	10.0%	192 bps	9.8%	9.9%	-6 bps
Others (New Energy)	-28.7%	-29.0%	37 bps	-14.2%	-1447 bps	-28.8%	-3.7%	-2507 bps
Total EBIT	10.0%	6.4%	355 bps	9.3%	68 bps	8.2%	9.4%	-122 bps

Source: Company, Avendus Spark  
^Exide's 2QFY26 gross margins are estimated



Financial Summary

Standalone Financial Statements

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
<b>Profit &amp; Loss</b>										
Revenue	68,395	71,497	86,958	1,03,897	1,12,603	1,24,049	1,35,119	1,45,600	1,55,784	1,66,956
Gross profit	23,923	24,050	25,745	33,917	37,262	39,978	43,403	48,808	52,222	55,967
EBITDA	10,986	11,157	10,226	14,350	16,214	16,291	16,763	20,393	21,819	23,384
Depreciation	3,007	3,192	3,957	4,504	4,787	4,921	5,459	5,887	6,276	6,599
EBIT	7,978	7,965	6,269	9,846	11,427	11,370	11,304	14,505	15,543	16,785
Other Income	551	874	780	896	1,015	933	780	1,021	1,409	1,130
Interest expense	122	105	151	296	332	422	359	359	377	396
Exceptional items	0	0	0	-477	0	1,111	1,218	0	0	0
PBT	8,407	8,733	6,898	9,970	12,110	12,992	12,943	15,167	16,575	17,519
Reported PAT (after minority interest)	6,608	6,468	5,113	7,307	9,059	9,639	9,672	11,352	12,406	13,113
Adj PAT	6,608	6,468	5,113	7,316	9,059	9,639	8,665	11,352	12,406	13,113
EPS (Rs.)	38.7	37.9	29.9	42.8	49.5	52.7	47.3	62.0	67.8	71.7
<b>Balance Sheet</b>										
Net Worth	36,556	42,130	45,514	60,056	67,687	73,783	81,545	90,655	1,00,612	1,11,135
Total debt	343	234	165	1,111	533	1,445	945	745	645	545
Other liabilities and provisions	6,516	7,735	9,701	9,656	10,840	13,505	14,710	15,851	16,959	18,176
Total Networth and liabilities	43,857	50,506	55,694	71,860	79,945	89,465	97,932	1,07,983	1,18,948	1,30,588
Gross Fixed assets	29,337	38,784	43,116	59,580	62,988	67,152	73,152	78,152	83,152	88,652
Net fixed assets	18,292	24,548	24,923	36,882	35,503	34,747	35,288	34,400	33,124	32,025
Capital work-in-progress	8,270	3,993	8,297	2,343	3,217	8,441	8,441	8,441	8,441	8,441
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	1,562	2,805	778	4,860	14,791	19,979	28,355	30,907	41,898	52,464
Cash and bank balances	845	1,758	536	998	1,045	1,653	363	6,991	6,335	6,417
Loans & advances and other assets	3,247	2,610	3,262	9,741	5,522	3,318	3,614	3,894	4,166	4,465
Net working capital	11,641	14,792	17,899	17,035	19,868	21,327	21,872	23,351	24,984	26,776
Total assets	43,857	50,506	55,694	71,860	79,945	89,465	97,932	1,07,983	1,18,948	1,30,588
Capital Employed	37,341	42,771	45,993	62,203	69,105	75,960	83,222	92,133	1,01,989	1,12,413
Invested Capital (CE - cash - CWIP)	28,226	37,021	37,161	58,862	64,844	65,866	74,418	76,701	87,213	97,555
Net debt	-1,924	-4,258	-718	-125	-3,161	-832	582	-6,245	-5,690	-5,872
<b>Cash Flow</b>										
Cash flows from Operations (Pre-tax)	14,133	10,016	8,323	12,125	16,431	17,035	18,766	20,436	22,055	23,244
Cash flows from Operations (post-tax)	11,769	8,020	6,330	9,562	13,142	13,752	15,495	16,622	17,886	18,838
Capex	7,014	4,967	7,609	4,659	4,423	7,518	6,000	5,000	5,000	5,500
Free cashflows	4,755	3,054	-1,280	4,904	8,719	6,234	9,495	11,622	12,886	13,338
Free cashflows (post interest costs)	4,633	2,948	-1,280	4,904	8,719	6,234	9,495	11,622	12,886	13,338
Cash flows from Investing	-8,497	-6,350	-4,819	-7,892	-10,720	-11,543	-14,375	-7,552	-15,991	-16,066
Cash flows from Financing	-3,638	-1,215	-2,135	-1,119	-2,425	-1,566	-2,410	-2,442	-2,550	-2,690
Total cash & liquid investments	845	1,758	536	1,236	3,694	2,278	363	6,991	6,335	6,417

Financial Summary

Standalone Financial Statements

Growth ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Revenue	0.7%	4.5%	21.6%	19.5%	8.4%	10.2%	8.9%	7.8%	7.0%	7.2%
EBITDA	15.4%	1.6%	-8.3%	40.3%	13.0%	0.5%	2.9%	21.7%	7.0%	7.2%
Adj PAT	36.7%	-2.1%	-21.0%	42.9%	24.0%	6.4%	0.3%	17.4%	9.3%	5.7%
Margin ratios (%)										
Gross	35.0%	33.6%	29.6%	32.6%	33.1%	32.2%	32.1%	33.5%	33.5%	33.5%
EBITDA	16.1%	15.6%	11.8%	13.8%	14.4%	13.1%	12.4%	14.0%	14.0%	14.0%
Adj PAT	9.7%	9.0%	5.9%	7.0%	8.0%	7.8%	6.4%	7.8%	8.0%	7.9%
Performance ratios										
Pre-tax OCF/EBITDA (%)	128.6%	89.8%	81.4%	84.5%	101.3%	104.6%	112.0%	100.2%	101.1%	99.4%
OCF/IC (%)	41.7%	21.7%	17.0%	16.2%	20.3%	20.9%	20.8%	21.7%	20.5%	19.3%
RoE (%)	18.9%	16.4%	11.7%	13.9%	14.2%	13.6%	11.2%	13.2%	13.0%	12.4%
RoCE (%)	18.6%	16.3%	11.8%	14.6%	14.2%	12.6%	11.3%	13.3%	13.1%	12.5%
RoCE (Pre-tax) (%)	23.7%	22.1%	15.9%	19.9%	19.0%	17.0%	15.2%	17.7%	17.5%	16.7%
Fixed asset turnover (x)	2.5	2.1	2.1	2.0	1.8	1.9	1.9	1.9	1.9	1.9
Total asset turnover (x)	1.6	1.5	1.6	1.6	1.5	1.5	1.4	1.4	1.4	1.3
Financial stability ratios										
Net Debt to Equity (x)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.1)	(0.1)	(0.1)
Net Debt to EBITDA (x)	(0.2)	(0.4)	(0.1)	(0.0)	(0.2)	(0.1)	0.0	(0.3)	(0.3)	(0.3)
Interest cover (x)	96.5	76.2	41.9	32.3	39.6	32.6	43.2	46.3	47.4	47.6
Cash conversion days	62	76	75	60	64	63	59	59	59	59
Total Working capital days	45	49	48	60	47	33	29	29	29	29
Valuation metrics										
Fully Diluted Shares (mn)	170.8	170.8	170.8	170.8	183.0	183.0	183.0	183.0	183.0	183.0
Market cap (Rs.mn)	1,79,358									
P/E (x)	25.3	25.9	32.7	22.9	19.8	18.6	20.7	15.8	14.5	13.7
P/Sales (x)	2.6	2.5	2.1	1.7	1.6	1.4	1.3	1.1	1.1	1.0
EV (Rs.mn) (ex-CWIP)	1,69,164	1,77,834	1,78,988	1,79,233	1,76,197	1,78,526	1,79,940	1,73,113	1,73,669	1,73,486
EV/ EBITDA (x)	15.4	15.9	17.5	12.5	10.9	11.0	10.7	8.5	8.0	7.4
EV/ OCF(x)	14.4	22.2	28.3	18.7	13.4	13.0	11.6	10.4	9.7	9.2
FCF Yield (%)	2.7%	1.7%	-0.7%	2.7%	4.9%	3.5%	5.3%	6.5%	7.2%	7.4%
Price to BV (x)	4.9	4.3	3.9	3.0	2.6	2.4	2.2	2.0	1.8	1.6
Dividend yield (%)	50.1%	13.2%	33.4%	7.9%	15.1%	19.7%	19.7%	19.7%	19.7%	19.7%
Dividend pay-out (%)	2.0%	0.5%	1.0%	0.3%	0.8%	1.1%	1.1%	1.2%	1.4%	1.4%



Crystal Ball Gazing

Expect ARENM to report a revenue and PAT CAGR of ~8% & 10% respectively through FY23-FY29E. ARENM to benefit from strong growth in the automotive replacement segment coupled with robust prospects in the solar/e-rickshaw and renewable energy sectors. See sustained improvement in EBITDA margin to ~14.0% by FY29E, leveraging upon its competitive strength and operating leverages. We, however, believe that these could be tempered by heightening competitive intensity.

Expect revenue growth to be led primarily by the automotive segment through FY27E; stability returning to telecom segment would aid margins

	FY08-FY11	FY11-FY14	FY14-FY22	FY23-FY29E
Revenues CAGR	42%	25%	14%	8%
Gross Margin	37%	33%	33%	33%
EBITDA CAGR	52%	29%	9%	8%
EBITDA margin	14.3%	15.3%	15.5%	13.7%
EPS CAGR	61%	34%	5%	10%
Total Asset Turnover (x)	1.5	2.0	1.8	1.4
Total WC days	96	49	50	36
Pre-tax OCF/EBITDA (%)	65%	90%	88%	100%
Post Tax OCF as a % of IC	13%	34%	24%	20%
Debt/EBITDA	0.7	(0.3)	(0.2)	(0.1)

Significant capex over the medium-term to result in muted improvement in return ratios

	FY08-FY11	FY11-FY14	FY14-FY22	FY23-FY29E
RoE (%)	22.8%	28.9%	20.3%	13.1%
RoCE (%)	16.1%	25.8%	19.4%	13.1%
RoIC (%)	25.0%	49.4%	32.5%	18.4%

Robust growth prospects in the automotive and newer segments, coupled with healthy cash generation/FCF, to support multiples

Implied P/E multiple	FY29E EPS (Rs.)	Price target
16x	71.7	1,205

Entry = Rs. 980 @ 15.8x FY27E EPS

+

Cumulative Dividends of Rs. 50/share

+

EPS CAGR of ~10%, implied exit multiple of 16x on FY29E EPS

=

Total Return of 23%



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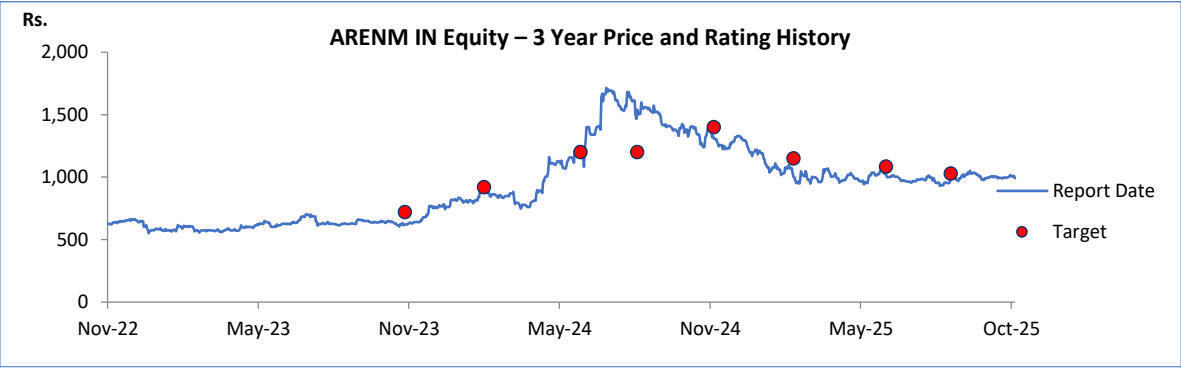
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Symbol Interpretation

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Report Date	CMP (Rs.)	TP (Rs.)	Reco.
19-Aug-25	958	1,030	ADD
02-Jun-25	1,031	1,085	ADD
11-Feb-25	1,032	1,150	ADD
07-Nov-24	1,330	1,400	ADD
07-Aug-24	1,465	1,200	REDUCE
31-May-24	1,180	1,200	ADD
05-Feb-24	895	920	ADD
02-Nov-23	618	720	ADD
#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A
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