

Amara Raja Energy and Mobility AMAR.NS ARENM IN

EQUITY: AUTOS & AUTO PARTS

Falling imported battery cell prices a concern

4Q margins miss estimates: Expect margin recovery to be led by price hikes, tubular plant and smelter

4QFY25 EBITDA margin below our and consensus estimates

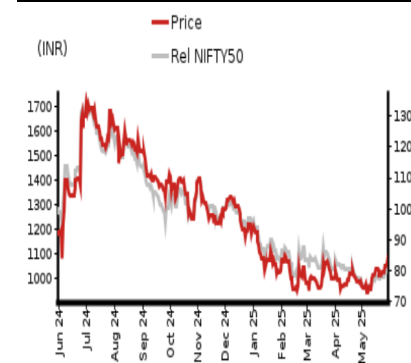
- ARENM's 4QFY25 revenue at INR29.7bn (6% y-y) was below our/consensus estimates. EBITDA margin at 11.5% was below estimates (Nomura: 13.9%, consensus: 13.2%) (*Fig. 1*). Higher RM/sales at 67.7%, +80bp q-q (Nomura: 66%), and other overheads/sales at 14.7%, +80bp q-q (Nomura: 14%), impacted margins. Reported PAT at INR1.6bn was -27% y-y.
- Management commentary: 4QFY25 – 4W replacement:** up 9% y-y, OE sales: up 15% y-y, exports: down 10% y-y; 2W sales: up 13% y-y with growth in both Replacement and OE. Export business revenue declined ~10% y-y. Home inverter batteries grew ~17% y-y. Expects an uptick in 2W volumes in 1QFY26E and 4W volumes in 2QFY26E. **Margins** were impacted by higher antimoney alloy and power costs. Company targets 14% margins. **New energy** contributes 5% to revenue and was flat y-y due to lower 3W uptake, but 2W EV packs and ESS segment had 35% growth. NMC Gigafactory will start operation by 2Q/3Q of 2027E (vs end-2026 earlier). Capex plan is INR10bn for FY26E, the bulk of which will go towards the cell business
- Our view:** Further drop in lithium-ion cell import prices – LFP/NMC at USD50-55/60 per Kwh in 4QFY25 (vs USD60-65/70-75 per KWh in 3QFY25) raises concern about the profitability of the cell business. ARENM's Lead acid battery (LAB) segment faces margin pressure due to material and energy costs. We believe with price hikes, its new tubular plant (1QFY26E) and new smelter (2QFY26E) should lead a recovery in margins to 14.1%/14.3% in FY26/27F. As significant capital from LAB is going into the cell business, a re-rating would depend on visibility on its cell business generating ROE> cost of equity.
- Estimates (*Fig. 10*):** We largely maintain our estimates – building in revenue growth of 11%/10% for FY26/27F and EBITDA margins at 14.0%/14.1% (vs 14.1%/14.3% previously), leading to -0.4%/-2% revisions to our EPS estimates.

Action: Maintain Neutral; raise SOTP-based TP to INR1,136 (from INR1,084)

- We maintain our target P/E at 15x, at the low end of our expected trading band of 15-25x, due to execution risks/lower ROEs for the Li-ion business. We roll forward valuation to June-26F, and add INR109 for Li-ion cell capex (1x FY27F BV). We prefer UNOMINDA, MSUMI and SANSERA (all rated Buy) in the auto parts space.

Rating Remains	Neutral
Target price Increased from INR 1,084	INR 1,136
Closing price 30 May 2025	INR 1,031
Implied upside	+10.2%
Market Cap (USD mn)	2,204.6
ADT (USD mn)	8.9

Relative performance chart



Source: LSEG, Nomura

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Year-end 31 Mar	FY24		FY25F		FY26F		FY27F
Currency (INR)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	112,603	125,054	124,049	137,629	137,629	151,608	151,608
Reported net profit (mn)	9,059	10,356	17,107	10,941	10,899	12,423	12,171
Normalised net profit (mn)	9,059	9,245	15,996	10,941	10,899	12,423	12,171
FD normalised EPS	53.03	54.13	93.65	64.06	63.81	72.73	71.25
FD norm. EPS growth (%)	16.4	2.1	76.6	18.3	-31.9	13.5	11.7
FD normalised P/E (x)	19.4	–	11.0	–	16.2	–	14.5
EV/EBITDA (x)	11.6	–	7.9	–	9.5	–	8.4
Price/book (x)	2.6	–	2.4	–	2.1	–	1.9
Dividend yield (%)	1.0	–	1.1	–	1.4	–	1.6
ROE (%)	14.2	14.4	24.2	13.6	14.0	13.8	14.0
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

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Key data on Amara Raja Energy and Mobility

Performance

(%)	1M	3M	12M		
Absolute (INR)	6.1	5.3	-13.4	M cap (USDmn)	2,204.6
Absolute (USD)	4.7	7.7	-15.7	Free float (%)	45.0
Rel to NIFTY50	4.0	-7.0	-23.8	3-mth ADT (USDmn)	8.9

Income statement (INRmn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Revenue	103,897	112,603	124,049	137,629	151,608
Cost of goods sold	-79,928	-85,366	-81,523	-104,751	-114,993
Gross profit	23,969	27,237	42,526	32,877	36,615
SG&A	-7,611	-8,816	-16,220	-10,410	-11,462
Employee share expense	-6,511	-6,994	-7,468	-8,426	-9,365
Operating profit	9,846	11,427	18,838	14,042	15,788
EBITDA	14,350	16,214	23,759	19,323	21,393
Depreciation	-4,504	-4,787	-4,921	-5,281	-5,605
Amortisation					
EBIT	9,846	11,427	18,838	14,042	15,788
Net interest expense	-296	-332	-422	-422	-422
Associates & JCEs					
Other income	897	1,015	933	1,010	971
Earnings before tax	10,447	12,110	19,349	14,629	16,337
Income tax	-2,663	-3,052	-3,353	-3,731	-4,166
Net profit after tax	7,784	9,059	15,996	10,899	12,171
Minority interests					
Other items					
Preferred dividends					
Normalised NPAT	7,784	9,059	15,996	10,899	12,171
Extraordinary items	-477	0	1,111	0	0
Reported NPAT	7,307	9,059	17,107	10,899	12,171
Dividends	-1,042	-1,812	-1,922	-2,456	-2,742
Transfer to reserves	6,265	7,247	15,186	8,443	9,429

Valuations and ratios

Reported P/E (x)	24.1	19.4	10.3	16.2	14.5
Normalised P/E (x)	22.6	19.4	11.0	16.2	14.5
FD normalised P/E (x)	22.6	19.4	11.0	16.2	14.5
Dividend yield (%)	0.6	1.0	1.1	1.4	1.6
Price/cashflow (x)	11.7	11.7	7.0	11.5	10.5
Price/book (x)	2.9	2.6	2.4	2.1	1.9
EV/EBITDA (x)	13.1	11.6	7.9	9.5	8.4
EV/EBIT (x)	19.1	16.4	9.9	13.1	11.4
Gross margin (%)	23.1	24.2	34.3	23.9	24.2
EBITDA margin (%)	13.8	14.4	19.2	14.0	14.1
EBIT margin (%)	9.5	10.1	15.2	10.2	10.4
Net margin (%)	7.0	8.0	13.8	7.9	8.0
Effective tax rate (%)	25.5	25.2	17.3	25.5	25.5
Dividend payout (%)	14.3	20.0	11.2	22.5	22.5
ROE (%)	13.8	14.2	24.2	14.0	14.0
ROA (pretax %)	13.9	13.8	20.3	13.5	13.8

Growth (%)

Revenue	19.5	8.4	10.2	10.9	10.2
EBITDA	40.3	13.0	46.5	-18.7	10.7
Normalised EPS	52.2	16.4	76.6	-31.9	11.7
Normalised FDEPS	52.2	16.4	76.6	-31.9	11.7

Source: Company data, Nomura estimates

Cashflow statement (INRmn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
EBITDA	14,350	16,214	23,759	19,323	21,393
Change in working capital	-4,074	2,428	3,050	-837	-982
Other operating cashflow	4,745	-3,606	-1,731	-3,143	-3,617
Cashflow from operations	15,022	15,036	25,078	15,344	16,794
Capital expenditure	-9,516	-2,673	-9,389	-4,000	-4,000
Free cashflow	5,505	12,363	15,689	11,344	12,794
Reduction in investments	-4,082	-9,931	-5,188	-6,000	-5,500
Net acquisitions					
Dec in other LT assets	-1,274	150	1,318	0	0
Inc in other LT liabilities	721	-196	61	0	0
Adjustments	-9,089				
CF after investing acts	870	2,386	2,790	5,344	7,294
Cash dividends	-1,042	-1,812	-1,922	-2,456	-2,742
Equity issue	0	12	0	0	0
Debt issue	635	-540	-260	0	0
Convertible debt issue					
Others	0	0	0	0	0
CF from financial acts	-407	-2,340	-2,181	-2,456	-2,742
Net cashflow	463	47	609	2,888	4,552
Beginning cash	536	998	1,045	1,653	4,541
Ending cash	998	1,045	1,653	4,541	9,092
Ending net debt	-198	-785	-1,653	-4,541	-9,092

Balance sheet (INRmn)

As at 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Cash & equivalents	998	1,045	1,653	4,541	9,092
Marketable securities					
Accounts receivable	7,797	10,171	11,428	12,679	13,967
Inventories	16,752	18,095	20,364	26,136	28,765
Other current assets	6,599	2,530	1,644	1,824	2,009
Total current assets	32,146	31,841	35,089	45,179	53,834
LT investments	4,860	14,791	19,979	25,979	31,479
Fixed assets	39,225	38,719	43,188	41,907	40,302
Goodwill					
Other intangible assets					
Other LT assets	3,142	2,992	1,674	1,674	1,674
Total assets	79,373	88,343	99,931	114,739	127,289
Short-term debt					
Accounts payable	7,514	8,398	10,465	13,431	14,783
Other current liabilities	9,332	10,523	14,146	17,546	19,315
Total current liabilities	16,845	18,921	24,612	30,977	34,098
Long-term debt	800	260	0	0	0
Convertible debt					
Other LT liabilities	1,672	1,476	1,536	1,536	1,536
Total liabilities	19,317	20,657	26,148	32,513	35,634
Minority interest					
Preferred stock					
Common stock	171	183	183	183	183
Retained earnings	59,886	67,504	73,600	82,043	91,472
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	60,056	67,687	73,783	82,226	91,655
Total equity & liabilities	79,373	88,343	99,931	114,739	127,289

Liquidity (x)

Current ratio	1.91	1.68	1.43	1.46	1.58
Interest cover	33.3	34.4	44.6	33.2	37.4

Leverage

Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Per share

Reported EPS (INR)	42.78	53.03	100.15	63.81	71.25
Norm EPS (INR)	45.57	53.03	93.65	63.81	71.25
FD norm EPS (INR)	45.57	53.03	93.65	63.81	71.25
BVPS (INR)	351.60	396.27	431.96	481.39	536.59
DPS (INR)	6.10	10.61	11.25	14.38	16.05

Activity (days)

Days receivable	27.7	29.2	31.8	32.0	32.1
Days inventory	79.7	74.7	86.1	81.0	87.1
Days payable	35.7	34.1	42.2	41.6	44.8
Cash cycle	71.7	69.8	75.6	71.3	74.4

Source: Company data, Nomura estimates

Company profile

Amara Raja Batteries Limited (AMRJ) is one of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in India. The Company makes automotive batteries and home UPS/Inverter batteries under the brands Amaron® and PowerZone™. In the automotive segment (~65% of revenues) it is present across India through its retail channels and sells its batteries in the aftermarket (or replacement) segment which accounts for 55% of overall revenues. It also supplies automotive batteries to all the leading passenger vehicle and two wheeler OEMs in India and derives around ~10% of revenues from OEMs. In India, AMRJ is also the preferred supplier to major industries like telecom, UPS, Indian Railways, Power and Oil & Gas. These industrial segments together contributes ~30% of its total revenues. AMRJ's products are also exported to most of the countries in the Indian Ocean Rim region. Recently, it has announced its intent to enter the 'New energy solution' businesses where it will invest in Li-ion battery technology and related solutions like EV charging products, battery management systems and swapping stations for the next leg of growth. It will also continue to expand its traditional lead acid business to newer geographies and through market share gains in the existing markets

Valuation Methodology

Our target price of INR 1,136 is based on 15x FY27F EPS and roll forward it to Jun-26F. We add INR109 for Li-ion cell capex (1x P/BV). The benchmark index for the stock is the Nifty 50.

Risks that may impede the achievement of the target price

Upside risk: More order wins by ARENM with OEMs will have a positive impact on the business. Downside risk: Consistent increase in the lead prices will impact the margins negatively. Rapid change in technology with change in the cell chemistry will also impact the business negatively. Increase in competitive intensity from the neighbouring countries can also hurt the business.

ESG

AMRJ is committed towards preserving its environment and sees it as an important stakeholder. It has worked towards increasing its renewable energy usage and solar roof top installation in its facilities stood at 9.3MW in FY21. It plans to increase this to 16.3MW. The Company's operating facilities are ISO 14001:2015 certified (Global standard Environment Management Systems). The Company has installed irreversible magnetic water flow meters to monitor water consumption in the plant and created rainwater harvesting bodies at its operating units to improve ground water levels. It has also installed air-quality monitoring systems and sewage treatment facilities to monitor and manage pollution in its facilities. It is also committed to increasing the green cover in its facilities and ~47% of the its operating area is under green cover. It has planted 67k trees in the last 3 years. Amara Raja has also committed to adhere by the United Nations Sustainable Developmental Goals (SDG). On the social front, Amara Raja is committed to strengthen its relationship with communities - its value chain partners, and beyond in a wider society. Amara Raja outreach initiatives cater to the underprivileged communities with the objective of improving their lives and livelihood. The Company focuses on themes of healthcare, education, skill development and environmental conservation. AMRJ has also started a Skill development centre to train youth which has helped 1100+ students in 9 batches. The Company's corporate governance practices are led by its 6 member board. Its board consists of 3 independent and one woman member. The board members ensure than the company adheres to timely disclosures, transparent accounting policies, internal control on operations and high levels of integrity in decision making with an objective to enhance stakeholder value.

4QFY25 results: EBITDA margin below estimates

Fig. 1: ARENM – 4QFY25 results: Nomura vs consensus estimates

	INR mn			% difference from	
	Actual	Consensus	Nomura	Consensus	Nomura
Net Sales	29,739	30,705	30,537	-3.1%	-2.6%
EBITDA	3,422	4,043	4,234	-15.4%	-19.2%
Margin	11.5%	13.2%	13.9%		
Net Profit	1,668	2,127	2,410	-21.6%	-30.8%

Source: Company data, Bloomberg Finance L.P. consensus, Nomura estimates

- 4QFY25 revenue at INR29.7bn (6% y-y) was below our/consensus estimates.
- EBITDA margin at 11.5% was below estimates (Nomura: 13.9%, consensus: 13.2%). Higher RM/sales at 67.7%, +80bp q-q (Nomura: 66%) and other overheads/sales at 14.7%, +80bp q-q (Nomura: 14%), impacted margins. Staff cost/sales at 6.1%, flat q-q, was in line (Nomura: 6.1%).
- Reported PAT was INR1.6bn was -27% y-y.

Fig. 2: ARENM – Quarterly financial summary

INR mn	Mar-24	Dec-24	Mar-25	YoY	QoQ	Mar/25F	FY24	FY25	YoY
Net Sales	27,967	31,640	29,739	6.3%	-6.0%	30,537	112,595	124,049	10.2%
Operating Costs	23,890	27,482	26,316	10.2%	-4.2%	26,303	96,536	107,758	11.6%
Material Costs	18,314	21,164	20,132	9.9%	-4.9%	20,155	75,759	84,071	11.0%
As % of Net Sales	65.5%	66.9%	67.7%	221 bps	81 bps	66.0%	67.3%	67.8%	0.7%
Personnel Costs	1,629	1,912	1,801	10.5%	-5.8%	1,873	6,836	7,468	9.2%
As % of Net Sales	5.8%	6.0%	6.1%	23 bps	1 bps	6.1%	6.1%	6.0%	-0.8%
Other Overheads	3,947	4,406	4,383	11.1%	-0.5%	4,275	13,941	16,220	16.3%
As % of Net Sales	14.1%	13.9%	14.7%	63 bps	82 bps	14.0%	12.4%	13.1%	5.6%
EBITDA	4,077	4,158	3,422	-16.1%	-17.7%	4,234	16,059	16,291	1.4%
EBITDA margin	14.6%	13.1%	11.5%	(307) bps	(163) bps	13.9%	14.3%	13.1%	-7.9%
Other Income	283.4	292.5	200.2	-29.4%	-31.6%	280.0	1,013.4	932.9	-7.9%
PBDIT	4,361	4,451	3,623	-16.9%	-18.6%	4,514	17,073	17,224	0.9%
Depreciation	1,210	1,233	1,284	6.1%	4.1%	1,250	4,730	4,921	4.0%
Interest	97	107	95	-2.5%	-10.9%	73	312	422	35.5%
EO Gain / (Loss)	-	1,111	-			-	-	1,111	
PBT	3,053	4,222	2,244	-26.5%	-46.9%	3,192	12,032	12,992	8.0%
Tax	773	1,103	576	-25.6%	-47.8%	782	3,035	3,353	10.5%
Tax rate	25.3%	26.1%	25.7%			24.5%	25.2%	25.8%	
Adj. PAT	2,280	2,363	1,668	-26.8%	-29.4%	2,410	9,010	8,884	-1.4%
PAT	2,280	3,118	1,668	-26.8%	-46.5%	2,410	8,997	9,639	7.1%
Adj. EPS	13.3	13.8	9.8	-26.8%	-29.4%	14.1	52.7	52.0	-1.4%

Key ratios	Mar-24	Dec-24	Mar-25	YoY	QoQ	Mar/25F	FY24	FY25	YoY
RM/sales	65.5%	66.9%	67.7%	221 bps	81 bps	66.0%	67.3%	67.8%	49 bps
Employee cost/sales	5.8%	6.0%	6.1%	23 bps	1 bps	6.1%	6.1%	6.0%	(5) bps
Other exp/sales	14.1%	13.9%	14.7%	63 bps	82 bps	14.0%	12.4%	13.1%	69 bps
Gross margin	34.5%	33.1%	32.3%	(221) bps	(81) bps	34.0%	32.7%	32.2%	(49) bps

Source: Company data, Nomura estimates

- The 'Others' business reported ~INR1.6bn in revenue, +35% y-y in 4QFY25. The EBIT margin was at -13.8%. For FY25, the revenue was INR5bn with EBIT margin of -9.2%.

Fig. 3: Quarterly financial summary for Others business

INR mn	Mar-24	Dec-24	Mar-25	YoY	QoQ	FY24	FY25	YoY
Net sales	1,164	1,177	1,571	35.0%	33.5%	5,223	5,012	-4.0%
EBIT	(70)	(158)	(216)	-207.4%	37.1%	285	(459)	-261.1%
EBIT margin	-6.0%	-13.4%	-13.8%			5.5%	-9.2%	

Source: Company data, Nomura estimates

Key conference call takeaways

The following commentary is from management, unless otherwise stated.

Demand and outlook

- The four-wheeler domestic aftermarket volumes grew by about 9% on a y-y basis during 4QFY25.
- The two-wheeler volumes registered growth of about 13% y-y during 4QFY25, driven by both the aftermarket and OEM segments.
- Home inverter batteries recorded double-digit growth close to 17% y-y on the back of both tubular batteries and the H-UPS segment.
- The domestic market demand for the passenger vehicles and two-wheeler is strong, and the company expects to grow ahead of the market and consolidate market share.
- The company expects an uptick in four-wheeler volumes during 2QFY26E and an uptick in two-wheeler OEM demand in the current quarter (1QFY26).

Costs and margins

- The full-year FY25 margins were also impacted negatively by ~1.5% due to material costs and fuel prices.
- The company aims to improve margins back to a 14% going forward.
- The company took a price increase in April to mitigate cost pressures and improve margins.
- The company expects to improve margins in the coming quarters due to the new manufacturing facilities and throughput enhancement.
- The tubular battery plant becoming operational will support margins.
- The company believes it needs 8-10GwH of capacity to achieve the target margins.
- Material costs, specifically antimony alloys, negatively impacted profitability and operating margins in the 4QFY25.

Pricing

- Aggressive pricing from China is affecting the industry, with downward trends in cell and ESS pricing.
- The company is waiting to see if prices will stabilize before making further investment decisions.
- The company has seen LFP prices around USD50-55/KwH, and NMC prices around USD60/KWh.
- The quality and type of cells being purchased can drastically affect the price, with significant variations in LFP prices.
- The company does not plan to simply pass on all cost increases to the market, considering the competitive dynamics.
- A decision on further price rise will be made in a couple of months, with opportunities to save costs and maintain current prices being explored.

Competition

- The company expects potential changes in competitive intensity in some of its export markets, pending the outcome of trade agreement discussions.

Market share

- The company managed to grow ahead of the market, helping to consolidate market share in the domestic market for passenger vehicles and two-wheelers in FY25.
- The company's international business exports brand was the number one brand in Singapore, Malaysia, and Cambodia, and number two in the GCC in FY25, according

to management.

- The company's market share in the four-wheeler OEM segment was about 35%-36% in FY25.

Electric vehicles

- The company has seen good growth in the new energy business, driven by higher supply of EV batteries to the telecom segment in 4QFY25.
- The company is expanding its facilities to manufacture packs for light electric mobility applications.
- The company is also planning to enter new segments, including high voltage packs for passenger vehicles and buses.

Capex

- The company incurred around INR10bn capex on a consolidated basis in FY25. The new energy business would require at least INR10bn capex for FY26E.
- In FY25, a significant portion of the capex was on the lead-acid business, including the tubular battery reinstatement, which took around INR4bn.
- Around INR4bn of capex was incurred on other capital investments in the lead-acid business, excluding the tubular battery reinstatement.
- The balance INR3bn to INR4bn was spent on the new energy business, including setting up a customer qualification plant, research lab, and land development for the first Giga Factory, as well as the lead-acid recycling plant.
- The lead-acid recycling plant has commenced commercial operations during 4QFY25 and is expected to further ramp up during FY26.
- The bulk of the capex in the FY26E will go towards the new energy business, specifically completing the three projects currently under construction.
- The company mentioned that it believes it can meet the cash flow requirements for the first phase of its new energy business (INR20bn to INR25bn) with its existing lead-acid business cash flow generation, possibly with some leverage on the balance sheet of the holding company.
- The company expects to achieve certain margin numbers once it reaches a minimum capacity level of 8 GWh to 10 GWh.

Li-Ion and New energy business developments on track

The company has announced a total investment of INR95bn for a giga corridor in Divitipally, Telangana. The land allotment is complete for this customer qualification plant and construction has commenced. The plant will have a 16GWH cell capacity over the next 10 years and phase 1 commercialization is expected by FY26E.

The company incurred ~INR10bn of capex in FY25. It is planning for a capex of ~INR10bn in FY26E, which will be for the new energy business.

Fig. 4: New energy business facilities

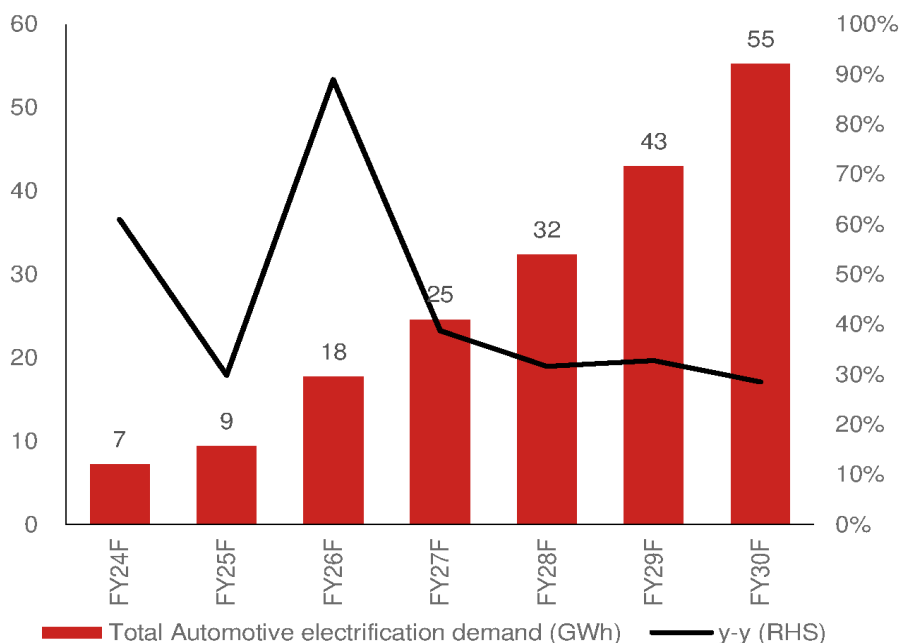
Segments	Annualised Capacity	Loaction
Automotive	~1.5 Gwh	Divitipally - Telangana
Industrial	~1.0 Gwh	Tirupathi - AP

Source: Company data, Nomura research

OEMs' EV adoption could pick up speed

We estimate the total Li-ion GWh requirement across the automotive segment to potentially reach ~55Gwh by FY30F (a CAGR of ~41%).

Fig. 5: Total estimates automotive electrification demand



Source: Nomura estimate

Trend of alliance with global players for battery manufacturing

OEMs and battery manufacturers are collaborating and forming alliances with global players for battery manufacturing. ARENM also formed a technical licensing agreement (TLA) with GIB EnergyX Slovakia (unlisted), a subsidiary of Gotion High-tech Co (002074 CS, Neutral). This will provide a license to access GIB EnergyX's LFP cell technology IP, support in establishing gigafactory facilities, integration with Gotion's supply chain network for critical battery materials, and technical support for customers on a non-exclusive basis. The tech partnership will help in the procurement of raw materials at competitive prices. ARENM is investing INR20bn for a 2GWH NMC (Nickel Manganese Cobalt) capacity. ARENM is focussing on onboarding customers for offtake of its products across 2W (NMC)/3W (LFP), and PVs (LFP).

Fig. 6: Battery manufacturing plans

	Capex	Capacity	Location	Comments	Partnership
ARENM	INR15bn	2GWh (NMC operational by the end of FY26E)	Divitipalli, Telangana	Long-term plan of 16GWh with capex of INR95bn, and additionally, 5GWh battery pack capacity over 10 years. Also entered into a TLA with Gotion, which involves getting access to cell technology IP, support in establishing a gigafactory, integration of supply chain network for critical battery materials and customer support for solution deployment.	Gotion
Agratas	INR420bn	40GWh (for NMC and LFP, commencement by 2026E in England), 20GWh (li-ion battery plant in India)	Somerset, England and Gujarat, India	Collaborating with Tata Technologies for development and manufacturing of battery solutions. This alliance is to develop a holistic eMobility ecosystem for faster adoption of EVs. Battery cell production is due to commence in 2026E.	
Suzuki	INR73bn		Hansalpur, Gujarat	The plant will manufacture advanced-chemistry cell batteries. It is the second EV battery initiative in India after a li-ion battery (Toshiba DSG) plant in Gujarat.	
Exide	INR23bn	6GWh (3GWh for NMC and 3GWh for LFP by 2025E)	Bengaluru, Karnataka	Exide has entered into a multi-year technical collaboration for li-ion cell technology to support setting up the plant on a turnkey basis. Exide has a long-term plan of 12GWh capacity requiring total capex of INR50bn in phase 1. The company signed an MOU with Hyundai and will work together for the development, production and supply of battery cells for Hyundai Motors' electric vehicles destined for the Indian market.	SVOLT
OLA Electric		5 GWh (plans to expand the fab capacity to 100GWh annually)	Krishnagiri, Tamil Nadu	Ola has been awarded 20GWh capacity under the government's PLI scheme for advanced chemistry cell (ACC) battery storage. It will have initial capacity of 5GWh, which will be eventually expanded to 100GWh annually.	

Source: Company data, Nomura research

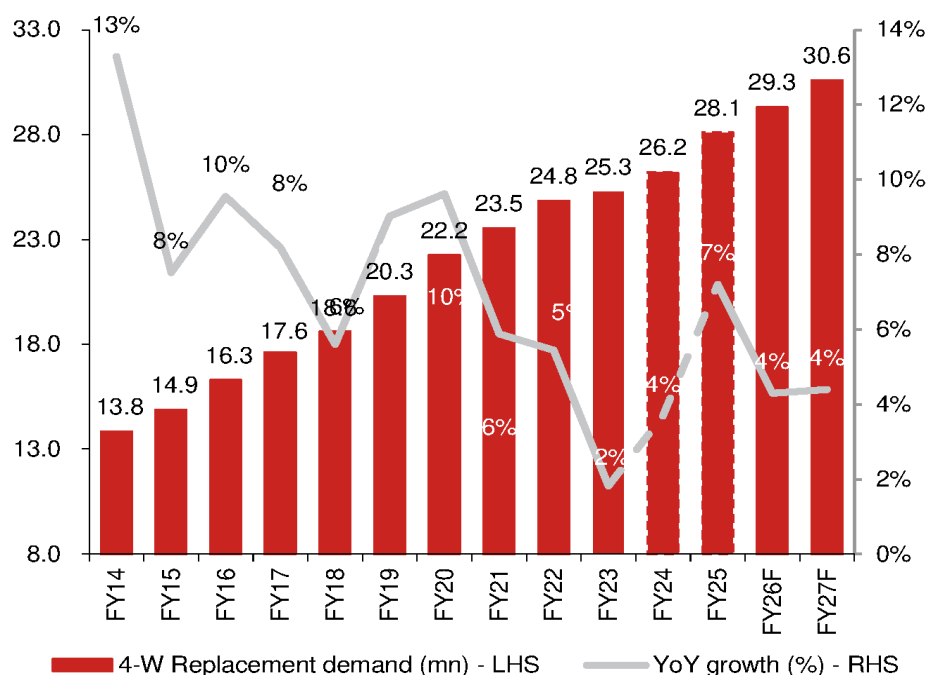
Fig. 7: ARENM vs EXID investments

Company	Target capacity	Total investment (INR bn)	Investment till FY25	Remarks	SOP	Partnership	Customers
EXID	12 GWH	60	36	Ph1 - 6 GWH (NMC 3 GWH, LFP 3 GWH); Ph2 - 6 Gwh; Battery pack 1.5 GWh	2025	SVOLT	Hyundai India
ARENM	16 GWH (over 10 yrs)	95	13	2 GWH NMC, Rest LFP; Battery pack 2 GWH	Jan-27	Gotion	Piaggio, Indian E2W player etc

Source: Company data, Nomura research

Replacement segment to grow at a modest pace

Our analysis of four-wheeler (4W) automotive replacement battery industry volumes suggests that growth is likely to continue at a modest pace, at ~+4%/+4% y-y for FY26F/27F. Organized players like ARENM should grow at a slightly higher pace on market share gains, in our view. Hence, we expect ~10%/10% domestic volume growth for 4W and 8%/8% y-y growth for 2W segments for FY26F/27F.

Fig. 8: Auto replacement battery industry growth trends

Source: SIAM, Nomura estimates

Commodity prices stable

Lead prices, assuming a 1.5-month lag, have declined to ~3% currently. Hence, we expect margins will be supported by this trend.

Fig. 9: Lead price trend

	LME Lead (INR/ton)		QoQ increase (%)	
	Avg	1.5 mnth lag	Avg	1.5 mnth lag
1QFY23	168,244	172,678	-3.7%	1.0%
2QFY23	157,546	160,411	-6.4%	-7.1%
3QFY23	172,102	159,231	9.2%	-0.7%
4QFY23	175,306	177,838	1.9%	11.7%
1QFY24	172,547	172,964	-1.6%	-2.7%
2QFY24	178,400	172,764	3.4%	-0.1%
3QFY24	176,755	178,238	-0.9%	3.2%
4QFY24	173,278	173,666	-2.0%	-2.6%
1QFY25	184,503	180,463	6.5%	3.9%
2QFY25	174,001	177,960	-5.7%	-1.4%
3QFY25	172,340	171,661	-1.0%	-3.5%
4QFY25	172,963	168,725	0.4%	-1.7%
Current	167,410	167,410	-3.2%	-0.8%

Source: Bloomberg Finance L.P., Nomura research

Key assumptions

We maintain our revenue estimates at INR138bn/152bn for FY26F/FY27F. We revise EBITDA margins by ~10bp/-20bp to 14.0%/14.1% for FY26F/FY27F. Overall, we revise EPS by ~-0.4%/-2% for FY26F/FY27F.

Fig. 10: ARENM – revisions to our estimates

	New			Old		% Change	
	FY25F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
Revenues (INR m)	124,049	137,629	151,608	137,629	151,608	-	-
EBITDA (INR m)	16,291	19,323	21,393	19,461	21,696	(0.7)	(1.4)
EBITDA Margin (%)	13.1%	14.0%	14.1%	14.1%	14.3%	(10) bps	(20) bps
PAT (INR m)	8,528	10,899	12,171	10,941	12,423	(0.4)	(2.0)
Adj EPS (INR)	46.6	59.6	66.5	59.8	67.9	(0.4)	(2.0)

Source: Nomura estimates

Fig. 11: ARENM – Nomura vs consensus estimates

INR mn	Nomura			Consensus		% difference	
	FY25F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
Revenues	124,049	137,629	151,608	136,480	148,615	0.8	2.0
EBITDA	16,291	19,323	21,393	19,223	21,312	0.5	0.4
EBITDA Margin (%)	13.1%	14.0%	14.1%	14.1%	14.3%	(0.0)	(0.2)
PAT	8,528	10,899	12,171	10,612	11,828	2.7	2.9
EPS	46.6	59.6	66.5	62.1	69.2	(4.1)	(4.0)

Source: Bloomberg Finance L.P. consensus, Nomura estimates

Maintain Neutral with higher TP of INR1,136 (INR1,084 earlier)

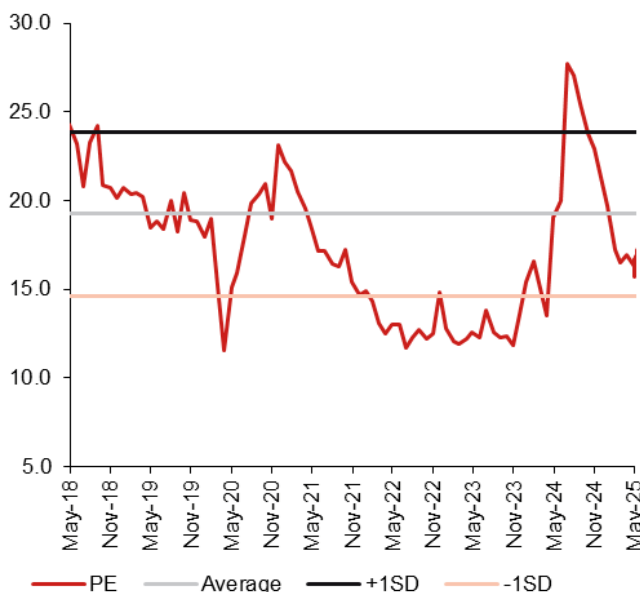
We maintain our target P/E to 15x, at the low end of the expected historical trading band of 15-25x, which factors in longer-term execution risks/lower ROEs for the Li-ion business, and apply it to FY27F EPS, and add INR109 for Li-ion cell capex (1x P/BV) to arrive at our new TP of INR1,136. We maintain our Neutral rating on the stock. We prefer UNOMINDA MSUMI and SANSERA (all rated Buy) in the auto parts sector.

Fig. 12: ARENM – Valuation methodology

Valuation parameter	INR
FY27F EPS	66.5
Target PE (x)	15.0
Value/share	998
Roll fwd to June-26	1,026
Li-ion capex (1x P/BV)	109
Target Price	1,136

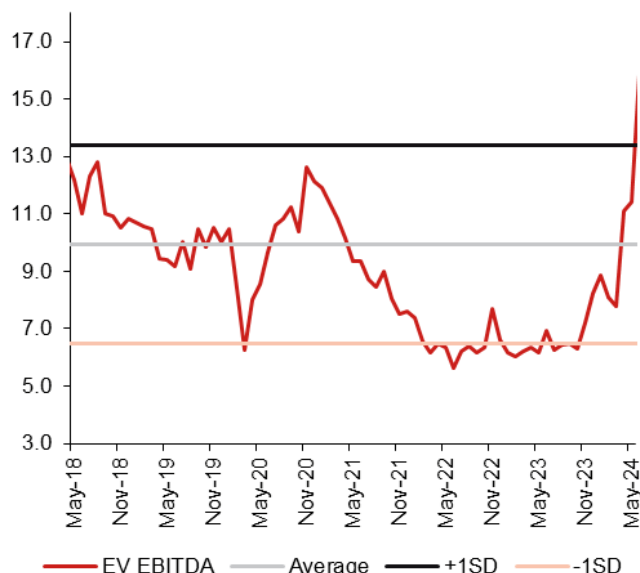
Source: Nomura estimates

Fig. 13: ARENM – P/E band



Source: Bloomberg Finance L.P., Nomura research

Fig. 14: ARENM – EV-EBITDA band



Source: Bloomberg Finance L.P., Nomura research

Fig. 15: Auto ancillaries– Peer valuation comparison table

Company	Ticker	Mkt Cap (\$mn)	Rating	CMP INR	P/E		EV-EBITDA		ROE		FCF Yield	
					FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
Ancillaries												
Balkrishna	BIL IN	5,588	Neutral	2,472	22.8	20.6	15.4	13.7	17.7	17.3	2.2%	2.6%
Uno Minda	UNOMINDA IN	6,758	Buy	1,007	45.6	36.2	23.4	19.2	20.8	22.6	0.9%	1.4%
Exide *	EXID IN	3,845	Neutral	387	24.9	22.1	14.2	12.9	9.0	9.4	2.6%	4.3%
Samvardhana Motherson	MOTHERSO IN	12,598	Buy	153	21.6	17.5	8.9	7.8	14.7	14.7	4.5%	6.2%
Motherson Sumi Wiring	MSUMI IN	2,992	Buy	58	33.9	26.5	21.0	16.9	40.8	44.0	2.6%	3.3%
Apollo Tyres	APTY IN	3,494	Neutral	471	15.7	13.6	6.6	5.7	12.1	12.8	6.5%	7.6%
Bharat Forge	BHFC IN	6,937	Neutral	1,241	32.5	24.0	19.4	15.3	21.3	25.0	2.7%	2.2%
Amara Raja	ARENM IN	2,206	Neutral	1,031	16.2	14.5	9.5	8.4	14.0	14.0	6.0%	6.8%
CEAT Tyres	CEAT IN	1,787	Buy	3,779	20.2	16.4	8.0	6.6	16.3	17.7	-10.9%	3.1%
Sona BLW Precision Forgings	SONACOMS IN	3,954	Buy	544	41.4	34.2	23.2	19.9	14.3	15.7	-3.4%	2.1%
Sansera	SANSERA IN	985	Buy	1,361	25.6	19.9	12.6	10.2	10.6	12.3	1.1%	0.0%

Note: Share prices as on 30 May 2025.

* indicated valuation adjusted for subsidiaries

Source: Bloomberg Finance L.P., Nomura estimates

Key upside/downside risks to our target price

Upside risks:

Success in the Li-ion segment: During the quarter, ARENM inaugurated its 'Advanced Lithium Technology Research Hub' with a pilot plant facility for cell development. The company has developed a wide range of battery packs for e-mobility and energy storage applications, and has secured approvals from various OEs and fleet operators for commercial supplies. Therefore, success in these areas could be an upside risk to our view.

Sharp decreases in lead prices: If lead prices decline sharply from current levels, it could pose an upside risk to our margin estimates.

Downside risks:

Consistent increase in the lead prices may impact the margins negatively.

Rapid change in technology with change in the cell chemistry may also impact the business negatively.

Increase in competitive intensity from the neighbouring countries can also hurt the business.

Appendix A-1

Analyst Certification

We, Kapil Singh and Siddhartha Bera, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Amara Raja Energy and Mobility	ARENM IN	INR 1,031	30-May-2025	Neutral	N/A	
Motherson Sumi Wiring India	MSUMI IN	INR 58	30-May-2025	Buy	N/A	
Sansera Engineering	SANSERA IN	INR 1,361	30-May-2025	Buy	N/A	A4,A5,A6,A7
Uno Minda	UNOMINDA IN	INR 1,007	30-May-2025	Buy	N/A	A4

A4 The Nomura Group has had an investment banking services client relationship with the subject company during the past 12 months.

A5 The Nomura Group has received compensation for investment banking services from the subject company in the past 12 months.

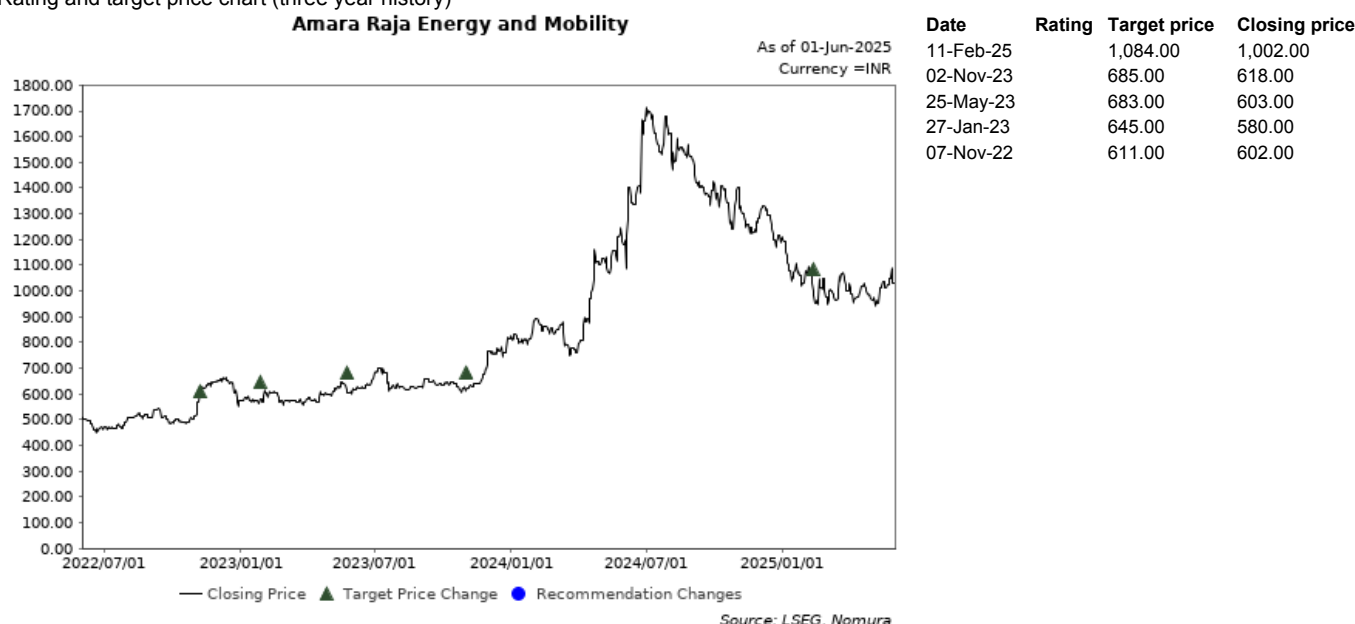
A6 The Nomura Group expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.

A7 The Nomura Group has managed or co-managed a public or private offering of the subject company's securities in the past 12 months.

Amara Raja Energy and Mobility (ARENM IN)

INR 1,031 (30-May-2025) Neutral (Sector rating: N/A)

Rating and target price chart (three year history)



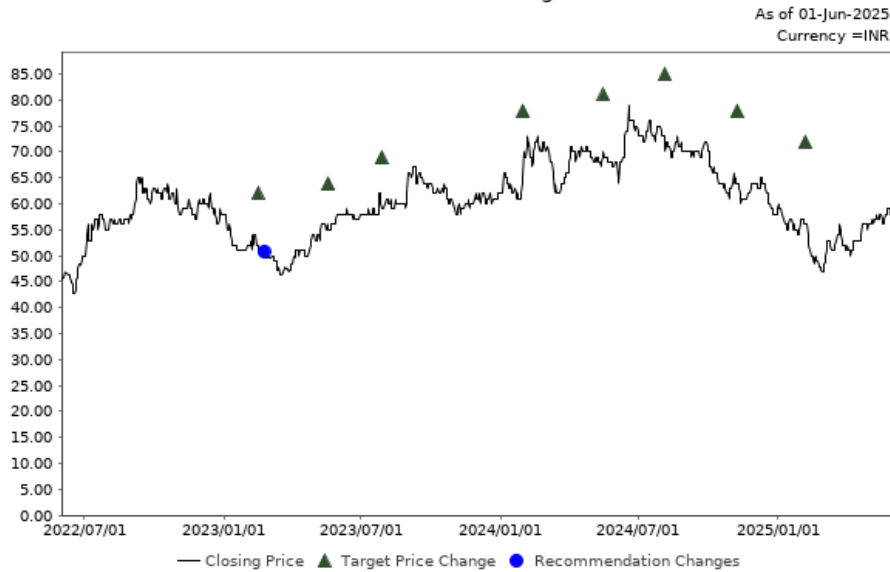
For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of INR 1,136 is based on 15x FY27F EPS and roll forward it to Jun-26F. We add INR109 for Li-ion cell capex (1x P/BV). The benchmark index for the stock is the Nifty 50.

Risks that may impede the achievement of the target price Upside risk: More order wins by ARENM with OEMs will have a positive impact on the business. Downside risk: Consistent increase in the lead prices will impact the margins negatively. Rapid change in technology with change in the cell chemistry will also impact the business negatively. Increase in competitive intensity from the neighbouring countries can also hurt the business.

Motherson Sumi Wiring India (MSUMI IN)**INR 58 (30-May-2025) Buy** (Sector rating: N/A)

Rating and target price chart (three year history)

Motherson Sumi Wiring India

Source: LSEG, Nomura

Date	Rating	Target price	Closing price
06-Feb-25		72.00	56.00
08-Nov-24		78.00	64.00
05-Aug-24		85.00	70.00
16-May-24		81.00	70.00
31-Jan-24		78.00	65.00
28-Jul-23		69.00	59.00
19-May-23		64.00	55.00
15-Feb-23	Buy		52.00
15-Feb-23		62.00	52.00

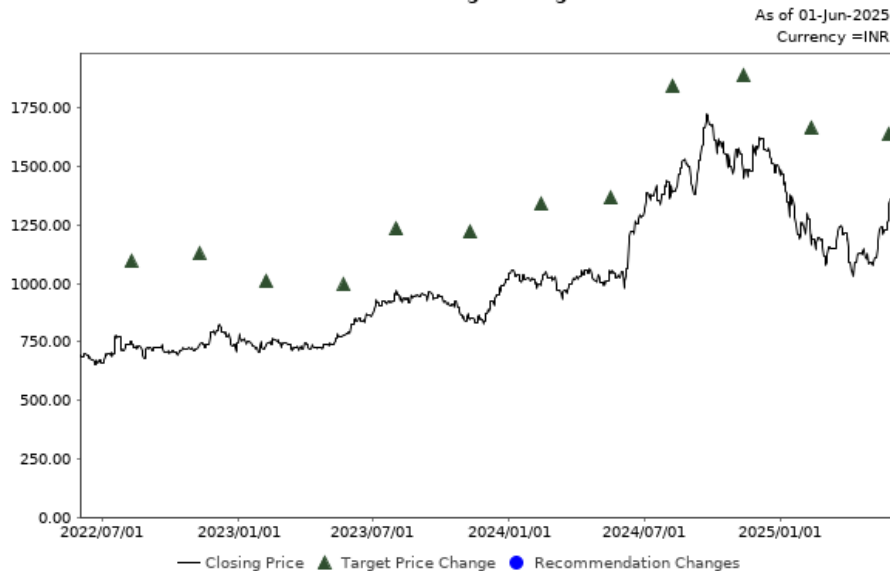
For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value MSUMI at 32x P/E, which is in the middle of company's expected trading band of 30x-35x. Limited capex intensity should sustain robust ROEs of ~42% over FY25-26F. We attribute it to average FY27F EPS to arrive at a target price of INR72. The benchmark index for the stock is Nifty 50.

Risks that may impede the achievement of the target price 1) Weak performance of Indian automotive sector: MSUMI is dependent on the performance of the Indian automotive sector. Lower consumer sentiment in PVs, delayed demand or a change in government regulations could have a material adverse impact on the company's financials. 2) High customer concentration: Within the PV segment, which accounted for 60% of its revenues in FY22, MSUMI derives a higher proportion of its revenue share from MSIL. A fall in market share or change in product mix for MSIL will have a direct impact on the company's financials.

Sansera Engineering (SANSERA IN)**INR 1,361 (30-May-2025) Buy** (Sector rating: N/A)

Rating and target price chart (three year history)

Sansera Engineering

Source: LSEG, Nomura

Date	Rating	Target price	Closing price
28-May-25		1,643.00	1,344.00
11-Feb-25		1,669.00	1,166.00
12-Nov-24		1,892.00	1,479.00
09-Aug-24		1,848.00	1,394.00
17-May-24		1,368.00	1,042.00
13-Feb-24		1,342.00	993.00
09-Nov-23		1,224.00	842.00
02-Aug-23		1,237.00	968.00
23-May-23		995.00	778.00
07-Feb-23		1,014.00	734.00
09-Nov-22		1,127.00	740.00
09-Aug-22		1,097.00	750.00

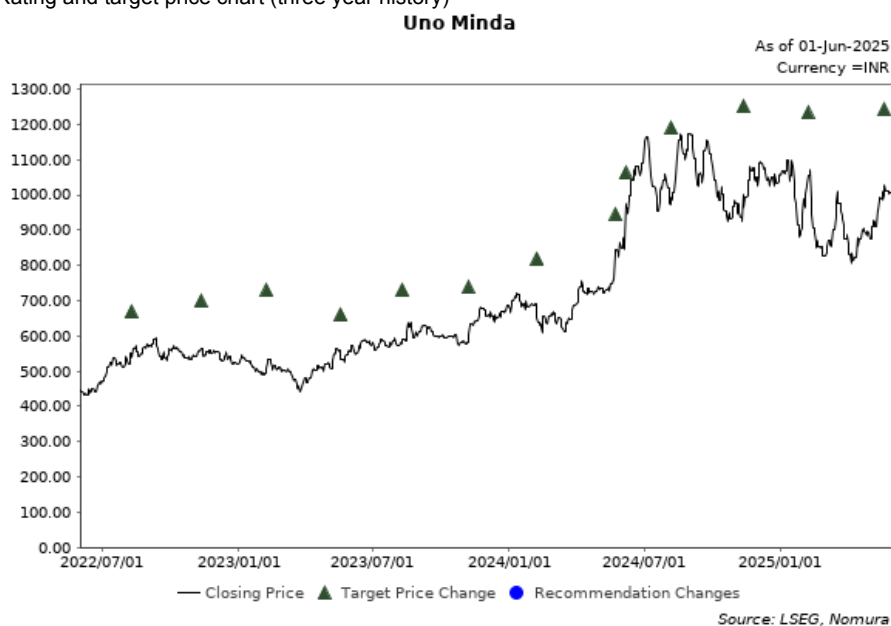
For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of INR1,643 is based on 25x FY27F consol EPS roll forwarded to Jun-26F. Our target multiple is backed by DCF. The benchmark index for the stock is Nifty 50

Risks that may impede the achievement of the target price Key downside risks: 1) faster uptake of EVs in 2W/PVs in the next few years; and 2) slower demand from its Top 5 clients (~59% of FY21 revenues).

Uno Minda (UNOMINDA IN)**INR 1,007 (30-May-2025) Buy (Sector rating: N/A)**

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
21-May-25		1,242.00	999.00
07-Feb-25		1,233.00	1,053.00
12-Nov-24		1,252.00	1,003.00
07-Aug-24		1,190.00	992.00
06-Jun-24		1,063.00	974.00
24-May-24		945.00	846.00
08-Feb-24		820.00	653.00
07-Nov-23		737.00	583.00
10-Aug-23		732.00	590.00
19-May-23		662.00	533.00
08-Feb-23		730.00	507.00
11-Nov-22		700.00	563.00
09-Aug-22		670.00	550.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value UNOMINDA at 45x (+1 SD of historical trading average) of FY27F and roll forward to Jun-26F to arrive at our TP of INR1,242. The benchmark index for the stock is Nifty 50

Risks that may impede the achievement of the target price Downside Risks 1) a split in JVs or technology partners: UNOMINDA has a successful history of JVs and tie-ups with technology partners and conducts a significant part of its business through them. Any split with its technology partners can have a negative impact on its profits. 2) Limited success in new businesses: UNOMINDA is expanding significantly in sensors, actuators and controllers segment which is dominated by global players. The weak performance of its products and limited acceptance by OEs can lead to downside risk to our estimates.

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As at 31 March 2025.

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** As defined by the EU Market Abuse Regulation

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The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock,

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A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/m/Disclosures>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

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A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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