AMARA RAJA ENERGY & MOBILITY LTD

Rating: ◀▶ | Target price: ▼ | EPS: ▲

CMP	Target Price	Rating
Rs. 1,031	Rs. 1,085	ADD

Avendus SPARK

ONE YEAR OUTLOOK

Business & Earnings ◀▶

- Maintain our ADD rating on ARENM with a TP of Rs. 1,085. ARE&M is likely to benefit from healthy aftermarket growth and thrust on export segment. 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 (FY25 revenues of Rs. 5bn) 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 4QFY25, lead acid revenues were up 4% YoY aided by healthy growth in aftermarket (2W/4W – 13%/8% YoY) & 2W OEM (~13% YoY). Industrial segment growth was muted as telecom segment declined due to ongoing transition to Li-ion. Revenue from EV chargers & Lithium Battery Packs was up 35% YoY to Rs. 1.5bn due to higher supply of ESS batteries to the telecom segment. We pencil in an overall revenue growth of ~9% through FY25-27E. EBITDA margins declined 160bps QoQ due to increase in antimony prices (23.2k USD/T in Aug-24 to 34.8k USD in May-25) and higher power purchase cost adjustment. Margins are likely to improve led by commissioning of lead smelting unit and shift from traded to manufacturing of tubular batteries in FY26.
- Expect FY26-FY27E capex at ~Rs. 21bn towards 1) Li-ion cell capacities, 2) existing line expansion & 3) reconstructing tubular capacity.

Valuation Multiples ▼

- Our TP of Rs. 1,085 is based on 16x FY27E EPS with Rs. 1,034 from lead acid and Rs. 51 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	21	11	14
FY25	1,24,049	13.1	9,639	52.7	20	11	14
FY26E	1,36,556	13.9	10,501	57.4	18	10	14
FY27E	1,47,479	14.2	11,975	65.4	16	9	14
FY28E	1,57,635	14.2	13,184	72.0	16	8	14

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 revenue and PAT CAGR of 11% & 9%, respectively, over FY25-FY29E. 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	1,36,429	1,36,556	0%	1,47,356	1,47,479	0%
EBITDA (%)	14.0	13.9	-10 bps	14.0	14.2	20 bps
PAT	10,307	10,501	2%	11,551	11,975	4%
EPS	56.3	57.4	2%	63.1	65.4	4%
PE	Before Results:		17.0	After Results:		16.6

All figures in Rs.Mn

OUTLOOK REVIEW 4QFY25
2 June 2025

Industry	AUTOMOBILE
Key Stock Data	
Bloomberg	ARENM IN
Shares o/s	183mn
Market Cap	Rs. 187bn ($2,246mn)
52-wk High-Low	Rs. 1,776-805
3m ADV	Rs. 742mn ($9mn)
F&O	Yes

Latest Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoters	32.9	32.9	32.9
Institutions	37.7	36.6	35.2
Public	29.4	30.5	31.9
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
ARENM	7.1	5.5	-13.7
Sensex	1.2	11.3	6.5

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. 29.7bn, up ~6% YoY and down 6% QoQ. Management commentary has indicated that revenue growth was aided by strong volume growth in both automotive and UPS Applications.
- Based on segmental disclosures (consolidated), lead acid segment revenue was at Rs. 29.0bn, up 4% YoY and down 8% QoQ. Lead acid EBIT margins was at 7.3%, down 180bps QoQ. Li-ion revenues was at Rs. 1.6bn, up 35% YoY and up 34% QoQ. Li-ion EBIT margins was at -13.8%.
- Gross margin at 32.3%, decreased ~80 bps QoQ due to high antimony cost. Exide's gross margin was at 31.2%, was down ~80 bps QoQ.
- Absolute other expenses increased 11% YoY. As % of revenue, the same was up 80bps QoQ. Operating margins were adversely impacted by surge in alloy prices and power cost due to regulatory changes in solar power settlements and fuel surcharges.
- Consequently, EBITDA came in at Rs. 3.4bn, down 16% YoY and 18% QoQ. EBITDA margin came in at 11.5%, down 160bps QoQ.
- PAT for the quarter stood at Rs. 1.7 bn, down 27% YoY and 47% QoQ. PAT adjusted for exceptional items came in at Rs. 1.7bn, down 28% QoQ.

Standalone Financial Results

Rs. mn\Period	4QFY25	4QFY24	yoy Growth	3QFY25	qoq Growth	FY25	FY24	Yoy Growth
Revenue	**29,739**	**27,967**	**6.3%**	**31,640**	**-6.0%**	**1,24,049**	**1,12,595**	**10.2%**
Raw Material	20,132	18,314	9.9%	21,164	-4.9%	84,071	75,759	11.0%
Employee cost	1,801	1,629	10.5%	1,912	-5.8%	7,468	6,836	9.2%
Other cost	4,383	3,947	11.1%	4,406	-0.5%	16,220	13,941	16.3%
Total Expenditure	**26,316**	**23,890**	**10.2%**	**27,482**	**-4.2%**	**1,07,758**	**96,536**	**11.6%**
Reported EBITDA	**3,422**	**4,077**	**-16.1%**	**4,158**	**-17.7%**	**16,291**	**16,059**	**1.4%**
Reported Margin %	11.5%	14.6%	*-307 bps*	13.1%	*-163 bps*	13.1%	14.3%	*-113 bps*
Depreciation	1,284	1,210	6.1%	1,233	4.1%	4,921	4,730	4.0%
EBIT	**2,138**	**2,867**	**-25.4%**	**2,925**	**-26.9%**	**11,370**	**11,330**	**0.4%**
Other income	200	283	-29.4%	293	-31.6%	933	1,013	-7.9%
Net Interest exp (inc)	94.9	97.3	-2.5%	106.5	-10.9%	422.4	311.7	35.5%
PBT	**2,244**	**3,053**	**-26.5%**	**3,111**	**-27.9%**	**11,881**	**12,032**	**-1.3%**
Tax provision	576	773	-25.6%	1,103	-47.8%	3,353	3,035	10.5%
Tax rate %	25.7%	25.3%	*33 bps*	35.5%	*-981 bps*	28%	25%	*300 bps*
PAT (Adjusted)	**1,668**	**2,280**	***-26.8%***	**3,118**	***-46.5%***	**9,639**	**8,997**	**7.1%**
Adjusted PAT margin (%)	1,658	2,280	-27.3%	2,299	-27.9%	8,810	8,997	-2.1%
Shares Outstanding	5.6%	8.2%	*-258 bps*	7.3%	*-169 bps*	7.1%	8.0%	*-89 bps*
EPS (Reported)	**183**	**183**		**183**		**183**	**183**	
EPS (Adjusted)	**9.1**	**12.5**	**-26.8%**	**17.0**	**-46.5%**	**52.7**	**49.2**	**7.1%**

Source: Company data, Avendus Spark Research

Abridged Financials

in Rs. Bn	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Standalone operations (Lead Acid)								
Revenues	101.4	111.9	123.5	136.6	147.5	157.6	168.8	180.5
YoY (%)		10%	10%	11%	8%	7%	7%	7%
EBITDA	14.3	16.1	16.2	19.0	21.0	22.4	24.0	25.7
EBITDA (%)	*14.1%*	*14.4%*	*13.1%*	*13.9%*	*14.2%*	*14.2%*	*14.2%*	*14.2%*
PAT	7.8	9.0	8.8	10.5	11.8	12.6	13.5	14.5
PAT (%)	*7.7%*	*8.0%*	*7.2%*	*7.7%*	*8.0%*	*8.0%*	*8.0%*	*8.1%*
Net Block	36.9	35.5	34.7	32.6	32.1	31.2	30.5	29.5
Advance Cell Tech subsidiary (Non-current investment)	4.6	12.1	19.4	29.4	31.9	41.6	51.0	60.0
Cash & cash equivalents	1.2	3.7	2.3	0.8	6.5	6.6	7.5	9.9
Net Working Capital	17.1	14.5	11.1	12.2	13.1	14.0	15.0	16.1
NWC days	*62*	*47*	*33*	*33*	*33*	*33*	*33*	*33*
Capital Employed - Lead Acid	**59.9**	**65.9**	**67.5**	**74.9**	**83.7**	**93.5**	**104.0**	**115.5**
Li-Ion cell manufacturing operations								
Revenues				0.0	0.0	8.7	23.7	34.1
YoY (%)							171%	44%
EBITDA				0.0	0.0	0.1	0.9	1.9
EBITDA (%)						1.0%	4.0%	5.5%
PBT		**Immaterial**		0.4	0.4	-1.3	-1.1	-0.7
PBT (%)						-14.6%	-4.7%	-2.2%
Net Block				16.8	19.4	27.3	34.3	40.4
Net Working Capital				0.0	0.0	0.7	1.9	2.8
NWC days				30	30	30	30	30
Capital Employed - Li-ion				**16.8**	**19.4**	**28.1**	**36.3**	**43.2**
Consolidated								
Revenues	103.9	117.1	128.5	136.6	147.5	166.4	192.5	214.6
YoY (%)		13%	10%	6%	8%	13%	16%	12%
EBITDA	**14.4**	**16.5**	**16.1**	**19.4**	**21.5**	**23.3**	**25.9**	**28.6**
EBITDA (%)	**13.8%**	**14.1%**	**12.5%**	**14.2%**	**14.6%**	**14.0%**	**13.5%**	**13.3%**
EBIT	9.6	11.6	11.0	14.1	15.8	15.5	17.1	18.8
EBIT (%)	9.2%	9.9%	8.6%	10.3%	10.7%	9.3%	8.9%	8.8%
PAT	7.6	9.2	8.6	10.9	12.3	12.0	13.2	14.6
PAT (%)	7.3%	7.8%	6.7%	8.0%	8.3%	7.2%	6.9%	6.8%
Net Block	36.9	39.4	42.0	49.6	51.5	58.3	64.3	69.1
Cash & cash equivalents	1.2	3.7	2.3	0.8	6.5	6.6	7.5	9.9
Net Working Capital	17.1	14.5	11.1	12.2	13.1	14.8	17.0	18.9
NWC days	60	45	32	33	33	32	32	32
Capital Employed - Consolidated	**55.2**	**57.7**	**55.4**	**62.6**	**71.1**	**79.7**	**88.8**	**97.8**

Amara Raja Energy & Mobility Outlook Review 4QFY25 | Rating: ADD | TP: Rs. 1,085

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Our base case analysis indicates that li-ion business is valued at Rs. 21bn assuming a projected utilization level of 15.5 GWh (85% utilization level) and margins of 10% for FY35. Also, the LAB segment contributes Rs. 1034/share to an overall TP of Rs. 1,085

Amara: Li-ion Batteries (Li-Ion)	FY23-25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Revenue (Rs. Bn)	Immaterial	0.0	0.0	8.7	23.7	34.1	42.4	54.4	68.4	84.3	90.1
YoY (%)					171%	44%	24%	28%	26%	23%	7%
EBITDA (Rs. Bn)		0.0	0.0	0.1	0.9	1.9	3.0	4.4	5.8	7.6	9.0
% Margins				1.0%	4.0%	5.5%	7.0%	8.0%	8.5%	9.0%	10.0%
Capex (Rs. Bn)		10.0	2.6	9.7	9.3	9.1	11.2	11.0	10.4	10.2	6.4
FCFF (Rs. Bn)		-10.0	-2.6	-10.3	-9.6	-8.0	-8.9	-7.6	-5.7	-3.9	2.2
RoIC (%)		0%	0%	-5%	-3%	-2%	-1%	0%	1%	3%	4%

Lithium-Ion Operations	FY27
Terminal Growth (%)	6%
WACC (%)	13%
Discounted FCFF (Rs. Bn)	-26.4
PV of Terminal Value (Rs. Bn)	30.4
EV (Rs. Bn)	3.9
Less: Net Debt/(net Cash) (Rs. Bn)	-4.7
Implied Market Cap (Rs. Bn)	8.7
Outstanding Shares (Mn)	171
Target Price (Rs.)	**51**

Key Assumptions

	FY26	FY30	FY35
Capacities (GWh)	2.0	6.5	15.5
Utilisation (%)	0%	70%	85%
Battery Pack ($/KWh)	106	86	79

- Factoring higher li-ion adoption across automotive, telecom, and energy storage solutions for key end-user industries.
- Margins estimated to be lower than EXIDE due to lack of sourcing tie-up and technical partnership.
- Incremental capex per GWh estimated to reduce with increasing scale

Amara: Consolidated (LaB + Li-ion)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
RoIC (%)	13%	16%	15%	18%	19%	17%	17%	17%	17%	17%	18%	19%	21%

	FY27E	FY29E
P/E Multiple	16	15
Lead Acid EPS (Rs.)	64.6	74.0
Lead Acid TP (Rs.) (A)	1,034	1,110
Li-Ion TP (Rs.) (B)	51	129
Total TP (Rs.) (A+B)	1,085	1,239

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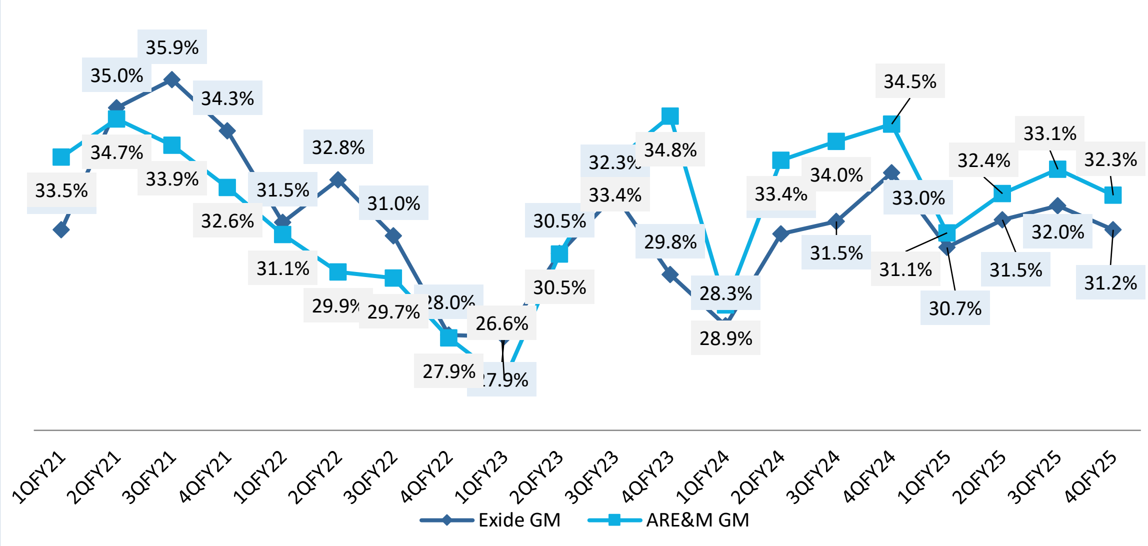
Segmental results & Margin Profile

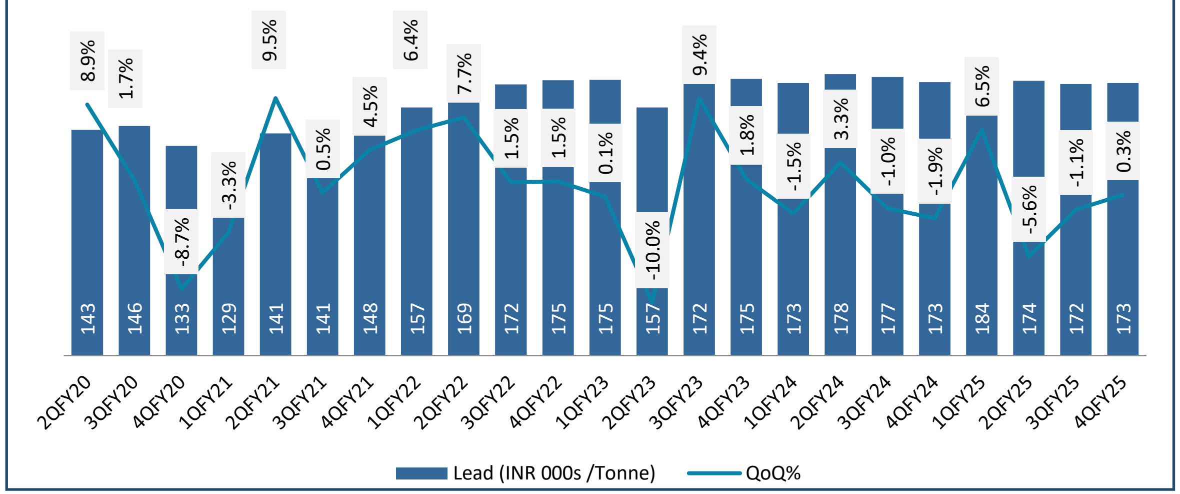
Segmental Results (Consol)	4QFY25	3QFY25	QoQ growth	4QFY24	YoY growth	FY25	FY24	YoY growth
Revenues								
Lead acid	29,030	31,548	-8%	27,915	4%	1,23,451	1,11,862	10%
Others (New Energy)	1,571	1,177	34%	1,164	35%	5,012	5,223	-4%
TotalRevenue	**30,601**	**32,725**	**-6%**	**29,079**	**5%**	**1,28,463**	**1,17,084**	**10%**
EBIT								
Lead acid	2,132	2,874	-26%	2,882	-26%	11,226	11,387	-1%
Others (New Energy)	-216	-158	NM	-70	NM	-459	285	NM
Total EBIT	**1,916**	**2,716**	**-29%**	**2,812**	**-32%**	**10,767**	**11,672**	**-8%**
EBIT Margins								
Lead acid	7.3%	9.1%	*-176 bps*	10.3%	*-298 bps*	9.1%	10.2%	*-109 bps*
Others (New Energy)	-13.8%	-13.4%	*-36 bps*	-6.1%	*-772 bps*	-9.2%	5.5%	*-1461 bps*
Total EBIT	**6.3%**	**8.3%**	***-204 bps***	**9.7%**	***-341 bps***	**8.4%**	**10.0%**	***-159 bps***

Source: Company, Avendus Spark

EXID and ARENM – Gross margin trend



Lead price trend



Financial Summary

Standalone Financial Statements

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Profit & Loss										
Revenue	**68,395**	**71,497**	**86,958**	**1,03,897**	**1,12,603**	**1,24,049**	**1,36,556**	**1,47,479**	**1,57,635**	**1,68,788**
Gross profit	23,923	24,050	25,745	33,917	37,262	39,978	44,655	48,374	51,706	55,364
EBITDA	10,986	11,157	10,226	14,350	16,214	16,291	19,034	20,999	22,445	24,033
Depreciation	3,007	3,192	3,957	4,504	4,787	4,921	5,191	5,494	5,872	6,186
EBIT	7,978	7,965	6,269	9,846	11,427	11,370	13,843	15,505	16,573	17,847
Other Income	551	874	780	896	1,015	933	588	895	1,463	1,546
Interest expense	122	105	151	296	332	422	401	401	421	442
Exceptional items	0	0	0	-477	0	1,111	0	0	0	0
PBT	8,407	8,733	6,898	9,970	12,110	12,992	14,029	15,999	17,614	18,951
Reported PAT (after minority interest)	6,608	6,468	5,113	7,307	9,059	9,639	10,501	11,975	13,184	14,185
Adj PAT	**6,608**	**6,468**	**5,113**	**7,307**	**9,059**	**9,639**	**10,501**	**11,975**	**13,184**	**14,185**
EPS (Rs.)	**38.7**	**37.9**	**29.9**	**42.8**	**49.5**	**52.7**	**57.4**	**65.4**	**72.0**	**77.5**
Balance Sheet										
Net Worth	36,556	42,130	45,514	60,056	67,687	73,783	81,658	90,640	1,00,528	1,11,166
Total debt	343	234	165	1,111	533	1,445	945	745	645	545
Other liabilities and provisions	6,958	8,142	10,015	10,693	11,725	14,237	15,598	16,788	17,893	19,107
Total Networth and liabilities	**43,857**	**50,506**	**55,694**	**71,860**	**79,945**	**89,465**	**98,202**	**1,08,172**	**1,19,066**	**1,30,819**
Gross Fixed assets	29,337	38,784	43,116	59,580	62,988	67,152	70,152	75,152	80,152	85,652
Net fixed assets	18,292	24,548	24,923	36,882	35,503	34,747	32,555	32,061	31,189	30,503
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	29,355	31,942	41,620	50,961
Cash and bank balances	845	1,758	536	998	1,045	1,653	798	6,528	6,606	7,495
Loans & advances and other assets	3,247	2,610	3,262	9,741	5,522	3,318	3,652	3,944	4,216	4,514
Net working capital	11,641	14,792	17,899	17,035	19,868	21,327	23,401	25,256	26,995	28,905
Total assets	**43,857**	**50,506**	**55,694**	**71,860**	**79,945**	**89,465**	**98,202**	**1,08,172**	**1,19,066**	**1,30,819**
Capital Employed	37,341	42,771	45,993	62,203	69,105	75,960	83,336	92,117	1,01,905	1,12,444
Invested Capital (CE - cash - CWIP)	28,226	37,021	37,161	58,862	64,844	65,866	74,097	77,148	86,859	96,508
Net debt	-1,924	-4,258	-718	-125	-3,161	-832	148	-5,783	-5,961	-6,950
Cash Flow										
Cash flows from Operations (Pre-tax)	14,133	10,016	8,323	12,125	16,431	17,035	18,174	20,535	22,581	24,143
Cash flows from Operations (post-tax)	11,769	8,020	6,330	9,562	13,142	13,752	14,645	16,512	18,151	19,377
Capex	-6,999	-4,964	-7,609	-4,659	-4,423	-7,518	-3,000	-5,000	-5,000	-5,500
Free cashflows	4,770	3,057	-1,280	4,904	8,719	6,234	11,645	11,512	13,151	13,877
Free cashflows (post interest costs)	4,633	2,948	-1,280	4,904	8,719	6,234	11,645	11,512	13,151	13,877
Cash flows from Investing	-8,497	-6,350	-4,831	-7,892	-10,720	-11,543	-12,375	-7,587	-14,678	-14,841
Cash flows from Financing	-3,638	-1,215	-2,123	-1,119	-2,425	-1,566	-3,125	-3,194	-3,396	-3,646
Total cash & liquid investments	845	1,758	536	1,236	3,694	2,278	798	6,528	6,606	7,495

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Financial Summary

Standalone Financial Statements

Growth ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Revenue	1	5	22	19	8	10	10	8	7	7
EBITDA	15	2	-8	40	13	0	17	10	7	7
Adj PAT	37	-2	-21	43	24	6	9	14	10	8
Margin ratios (%)										
Gross	35.0	33.6	29.6	32.6	33.1	32.2	32.7	32.8	32.8	32.8
EBITDA	16.1	15.6	11.8	13.8	14.4	13.1	13.9	14.2	14.2	14.2
Adj PAT	9.7	9.0	5.9	7.0	8.0	7.8	7.7	8.1	8.4	8.4
Performance ratios										
Pre-tax OCF/EBITDA (%)	129	90	81	84	101	105	95	98	101	100
OCF/IC (%)	42	22	17	16	20	21	20	22	22	21
RoE (%)	19	16	12	14	14	14	14	14	14	13
RoCE (%)	19	16	12	15	14	13	14	14	14	14
RoCE (Pre-tax) (%)	24	22	16	20	19	17	18	19	19	18
Fixed asset turnover (x)	2.5	2.1	2.1	2.0	1.8	1.9	2.0	2.0	2.0	2.0
Total asset turnover (x)	1.6	1.5	1.6	1.6	1.5	1.5	1.5	1.7	1.6	1.6
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)	97	76	42	32	40	33	36	41	43	44
Cash conversion days	62	76	75	60	64	63	63	65	65	65
Total Working capital days	45	49	48	60	47	33	33	34	34	34
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)		1,88,627								
P/E (x)	26.6	27.2	34.4	24.1	20.8	19.6	18.0	15.8	14.3	13.3
P/Sales (x)	2.8	2.7	2.2	1.8	1.7	1.5	1.4	1.3	1.2	1.1
EV (Rs.mn) (ex-CWIP)	1,78,433	1,87,103	1,88,257	1,88,502	1,85,466	1,87,795	1,88,775	1,82,844	1,82,667	1,81,677
EV/ EBITDA (x)	16.2	16.8	18.4	13.1	11.4	11.5	9.9	8.7	8.1	7.6
EV/ OCF(x)	15.2	23.3	29.7	19.7	14.1	13.7	12.9	11.1	10.1	9.4
FCF Yield (%)	2.5%	1.6%	-0.7%	2.6%	4.6%	3.3%	6.2%	6.1%	7.0%	7.4%
Price to BV (x)	5.2	4.5	4.1	3.1	2.8	2.6	2.3	2.1	1.9	1.7
Dividend yield (%)	1.9%	0.5%	1.0%	0.3%	0.7%	1.0%	1.4%	1.6%	1.7%	1.9%
Dividend pay-out (%)	50.1%	13.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

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Crystal Ball Gazing

Expect ARENM to report a revenue and PAT CAGR of ~8% & 12% 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%	9%
EBITDA margin	14.3%	15.3%	15.5%	14.0%
EPS CAGR	61%	34%	5%	12%
Total Asset Turnover (x)	1.5	2.0	1.8	1.5
Total WC days	96	49	50	39
Pre-tax OCF/EBITDA (%)	65%	90%	88%	98%
Post Tax OCF as a % of IC	13%	34%	24%	20%
Debt/EBITDA	0.7	(0.3)	(0.2)	(0.2)

+

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%	13.8%
RoCE (%)	16.1%	25.8%	19.4%	13.8%
RoIC (%)	25.0%	49.4%	32.5%	19.5%

+

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	77.5	1,270

Entry = Rs. 1,031 @ 15.8x FY27E EPS + **Cumulative Dividends of Rs. 32/share** + **EPS CAGR of ~12%, implied exit multiple of 16x on FY29E EPS** = **Total Return of 23%**

Source: Company data, Avendus Spark Research

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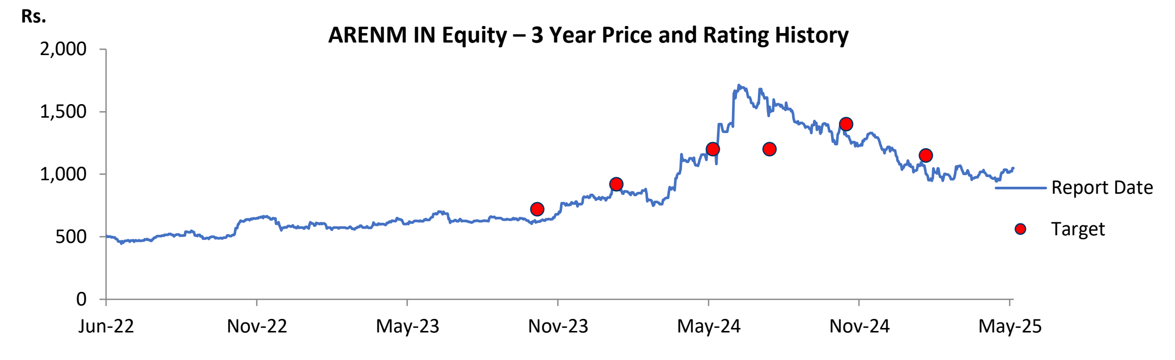

Report Date	CMP (Rs.)	TP (Rs.)	Reco.
11-Feb-25	1,032	1,150	ADD
07-Nov-24	1,330	1,400	ADD
07-Aug-24	1,465	1,200	REDUCE
31-May-24	1,180	1,200	ADD
05-Feb-24	895	920	ADD
02-Nov-23	618	720	ADD
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#N/A	#N/A	#N/A	#N/A
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#N/A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

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
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◀▶ No Change | ▼ Downgrade | ▲ Upgrade

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