1 June 2025

Amara Raja Energy & Mobility

Weak results; limited potential; retaining a Hold

Rating: **Hold**
Target Price: Rs.1,125
Share Price: Rs.1,031

Belieing our Rs4.1bn estimate, Amara Raja's Q4 standalone EBITDA fell 16% y/y to Rs3.4bn due to less-than-expected revenue and gross margin. The outlook for automotive and industrial demand is bright and Amara Raja is expected to gain share. It plans to set up a lithium-ion cell manufacturing plant, commencing H2 FY27 (delayed). Larger customer wins and sustainable profit, though, are key challenges as prices fall and technologies change. The stock is fairly valued and factors in the lithium plant opportunity. We expect 10/15/15% parent revenue/EBITDA/PAT growth over FY25-27. We retain our Hold recommendation with a lower (Rs1,125) TP, 12x FY27e parent EPS (earlier Rs1,490), and the ARACT NPV (new lithium energy unit) at Rs284/sh.

EBITDA miss. Standalone revenue grew 6% y/y to Rs29.7bn, slightly below our Rs31bn estimate. **Volumes: 4Ws -** aftermarket up 9%, OEM up 15%, Exports down 3%. **2Ws -** OEM up 13%, aftermarket up 13%. **Industrials -** overall muted, telecoms down 15%, inverters/UPS up 15%. EBITDA fell 16% to Rs3.4bn, below our Rs4.1bn estimate due to the less-than-expected revenue and gross margin. The gross margin contracted 220bps y/y, 80bps q/q, to 31.2%, due to a surge in alloy prices (antimony) and an adverse trade mix (15%, vs 10% in Q3 FY25). Accordingly, PAT fell 27% y/y to Rs1.67bn, below our Rs2.2bn estimate, due to lower-than-expected operating profits.

Valuation. We expect 10/15% parent revenue/EBITDA CAGRs over FY25-27. We lower our FY26/27e EPS 12-16% on the cut in revenue and margin assumptions due to higher input/power cost. We retain a Hold with a lower TP of Rs1,125, 12x the parent's FY27e EPS (earlier Rs1,490, 12x parent FY26e), and the ARACT NPV at Rs284/sh (earlier Rs542). We moderated ARACT's revenue/PAT to Rs52.2bn/2.61bn by FY29 and a 25x valuation multiple on discounted PAT (a 12% discounting factor; earlier Rs4.98bn FY29 PAT). Decrease in ARACT's value is due to delay in the new plant and lower margins. **Key upside risks:** More-than-estimated growth in lead batteries; good orders for lithium-ion cells; lower commodity prices.

Key financials (YE Mar) - P	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	1,03,897	1,12,603	1,24,049	1,37,734	1,50,993
Net profit (Rs m)	7,784	9,059	9,639	10,652	12,709
EPS (Rs)	45.6	49.5	52.7	58.2	69.4
P/E (x)	22.6	20.8	19.6	17.7	14.8
EV / EBITDA (x)	12.3	10.7	10.8	9.2	7.9
P/BV (x)	2.9	2.6	2.4	2.1	1.9
RoE (%)	14.7	14.2	13.6	13.6	14.3
RoCE (%)	13.8	13.2	11.9	12.7	13.3
Dividend yield (%)	0.6	0.5	0.5	0.6	0.7
Net debt / equity (x)	-0.0	-0.0	-0.0	-0.0	-0.1

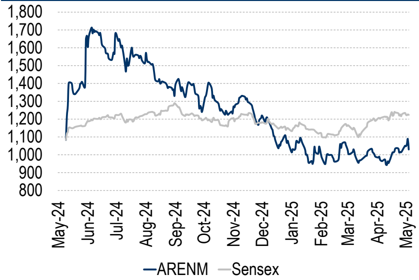
Source: Company, Anand Rathi Research

Key data	ARENM IN / AMAR.BO
52-week high / low	Rs1,775 / 805
Sensex / Nifty	81,451 / 24,751
Market cap	Rs189bn
Shares outstanding	183m

Shareholding pattern (%)	Mar'25	Sep'24	Jun'24
Promoters	32.9	32.9	32.9
- of which, Pledged	-	-	-
Free float	67.1	67.1	67.1
- Foreign institutions	20.7	22.3	23.8
- Domestic institutions	14.6	15.4	14.6
- Public	31.8	29.4	28.8

Estimates revision (%)	FY26e	FY27e
Sales	-2.4	-3.4
EBITDA	-14.8	-12.4
EPS	-16.4	-11.8

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Net revenues	1,03,897	1,12,603	1,24,049	1,37,734	1,50,993
Growth (%)	*19.5*	*8.4*	*10.2*	*11.0*	*9.6*
Raw material	69,981	75,341	84,071	91,593	99,656
Employee & other expenses	19,566	21,048	23,687	27,334	29,663
EBITDA	**14,350**	**16,214**	**16,291**	**18,807**	**21,675**
EBITDA margins (%)	*13.8*	*14.4*	*13.1*	*13.7*	*14.4*
- Depreciation	4,504	4,787	4,921	5,249	5,571
Other income	897	1,015	933	1,048	1,253
Interest expenses	296	332	422	366	366
PBT	9,970	12,110	11,881	14,241	16,991
Effective tax rates (%)	*26*	*26*	*27*	*25*	*25*
Adj. income	7,784	9,059	8,528	10,652	12,709
Extraordinary items	-477	-	1,111	-	-
Net income	7,307	9,059	9,639	10,652	12,709
WANS	171	183	183	183	183
FDEPS (Rs)	45.6	49.5	52.7	58.2	69.4
Growth (%)	*52.3*	*8.6*	*6.4*	*10.5*	*19.3*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	171	183	183	183	183
Net worth	60,056	67,687	73,783	83,369	94,808
Debt (incl. Pref)	1,111	533	1,445	1,445	1,445
Minority interest	-	-	-	-	-
Deferred tax liability / (Asset)	1,036	885	732	732	732
Capital employed	**62,203**	**69,105**	**75,960**	**85,547**	**96,985**
Net tangible assets	36,882	35,503	34,747	33,498	31,926
Net Intangible assets	-	-	-	-	-
CWIP (tang and intangible)	2,343	3,217	8,441	8,441	8,441
Investments (strategic)	4,622	12,142	19,355	27,355	35,355
Investments (financial)	238	2,650	625	2,625	6,125
Current assets (excl. cash)	34,290	33,788	35,110	38,949	42,712
Cash	998	1,045	1,653	1,083	1,201
Current liabilities	17,170	19,238	23,970	26,403	28,775
Working capital	17,120	14,549	11,140	12,546	13,938
Capital deployed	**62,203**	**69,105**	**75,960**	**85,547**	**96,985**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT	7,307	9,059	9,639	10,652	12,709
+ Non-cash items	4,504	4,787	4,921	5,249	5,571
Operating profit before WC chg	11,811	13,846	14,560	15,901	18,280
- Incr./ (decr.) in WC	2,866	271	-85	1,406	1,392
Others incl. taxes	-467	571	1,115	-	-
Operating cash-flow	**9,412**	**13,004**	**13,530**	**14,495**	**16,889**
- Capex (tangible + intangible)	4,647	4,401	7,440	4,000	4,000
Free cash-flow	**4,766**	**8,603**	**6,090**	**10,495**	**12,889**
- Dividend (incl. buyback & taxes)	581	1,367	1,904	1,065	1,271
+ Equity raised	-	12	-	-	-
+ Debt raised	-111	-577	902	-	-
- Financial investments	2,543	5,317	5,157	10,000	11,500
- Misc. items (CFI + CFF)	1,068	1,307	(677)	-	-
Net cash-flow	463	46	608	-570	118

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

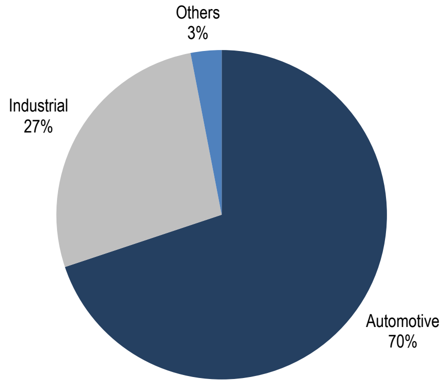
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	22.6	20.8	19.6	17.7	14.8
EV / EBITDA (x)	12.3	10.7	10.8	9.2	7.9
EV / Sales (x)	1.7	1.5	1.4	1.3	1.1
P/B (x)	2.9	2.6	2.4	2.1	1.9
RoE (%)	14.7	14.2	13.6	13.6	14.3
RoCE (%) - after tax	13.8	13.2	11.9	12.7	13.3
RoIC (%) - after tax	13.8	15.1	14.5	17.7	21.0
DPS (Rs)	6.1	5.1	5.2	5.8	6.9
Dividend yield (%)	0.6	0.5	0.5	0.6	0.7
Dividend payout (%)	14	10	10	10	10
Net debt / equity (x)	-0.0	-0.0	-0.0	-0.0	-0.1
Receivables (days)	27	33	34	34	34
Inventory (days)	59	59	60	60	60
Payables (days)	51	53	60	60	60
CFO : PAT (%)	121	144	140	136	133

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – Standalone revenue, by segment (FY25), %



Source: Company, Anand Rathi Research

Result highlights

Fig 7 – Quarterly performance (standalone)

(Rs m)	Q4 FY24	Q1FY25	Q2 FY25	Q3 FY25	Q4 FY25	Y/Y (%)	Q/Q (%)	FY25	FY24	Y/Y (%)
Revenue	**27,967**	**31,312**	**31,358**	**31,640**	**29,739**	***6.3***	***(6.0)***	**1,24,049**	**1,12,592**	***10.2***
Expenditure	**23,890**	**26,658**	**26,952**	**27,482**	**26,316**	***10.2***	***(4.2)***	**1,07,408**	**96,761**	***11.0***
as % of sales	*85.4*	*85.1*	*85.9*	*86.9*	*88.5*			*86.6*	*85.9*	
Consumption of RM	18,314	21,212	21,212	21,164	20,132	*9.9*	*(4.9)*	83,720	76,264	*9.8*
as % of sales	*65.5*	*67.7*	*67.6*	*66.9*	*67.7*			*67.5*	*67.7*	
Employee cost	1,629	1,856	1,899	1,912	1,801	*10.5*	*(5.8)*	7,468	6,670	*12.0*
as % of sales	*5.8*	*5.9*	*6.1*	*6.0*	*6.1*			*6.0*	*5.9*	
Other expenditure	3,947	3,590	3,841	4,406	4,383	*11.1*	*(0.5)*	16,220	13,827	*17.3*
as % of sales	*14.1*	*11.5*	*12.2*	*13.9*	*14.7*			*13.1*	*12.3*	
EBITDA	**4,077**	**4,654**	**4,407**	**4,158**	**3,422**	***(16.1)***	***(17.7)***	**16,641**	**15,831**	***5.1***
EBITDA margins (%)	***14.6***	***14.9***	***14.1***	***13.1***	***11.5***			***13.4***	***14.1***	
Depreciation	1,210	1,183	1,220	1,233	1,284	*6.1*	*4.1*	4,921	4,671	*5.3*
EBIT	**2,867**	**3,471**	**3,186**	**2,925**	**2,138**	***(25.4)***	***(26.9)***	**11,721**	**11,159**	***5.0***
Other income	283	256	185	293	200	*(29.4)*	*(31.6)*	933	1,012	*(7.8)*
Interest	97	90	131	107	95	*(2.5)*	*(10.9)*	422	293	*44.4*
PBT	**3,053**	**3,637**	**3,240**	**3,111**	**2,244**	***(26.5)***	***(27.9)***	**12,231**	**11,879**	***3.0***
Total tax	773	841	833	1,103	576	*(25.6)*	*(47.8)*	3,353	3,003	*11.6*
Adjusted PAT	**2,280**	**2,796**	**2,407**	**2,008**	**1,668**	***(26.8)***	***(16.9)***	**8,879**	**8,876**	***0.0***
Extraordinary items Loss/(Gain)	0	0	0	-1,111	0			-1,111	0	
Reported PAT	**2,280**	**2,796**	**2,407**	**3,118**	**1,668**	***(26.8)***	***(46.5)***	**9,989**	**8,876**	***12.5***
Adjusted EPS	**12.5**	**15.3**	**13.2**	**11.0**	**9.1**	***(26.8)***	***(16.9)***	**46.6**	**49.5**	***(5.9)***
Margins (%)						**(bps)**	**(bps)**			**(bps)**
Gross	34.5	32.3	32.4	33.1	32.3	*(221)*	*(81)*	32.5	32.3	*25*
EBITDA	14.6	14.9	14.1	13.1	11.5	*(307)*	*(163)*	13.4	14.1	*(65)*
EBIT	10.3	11.1	10.2	9.2	7.2	*(306)*	*(205)*	9.4	9.9	*(46)*
PAT	8.2	8.9	7.7	6.3	5.6	*(254)*	*(74)*	7.2	7.9	*(73)*
Effective tax rate	25.3	23.1	25.7	35.5	25.7	*33*	*(981)*	27.4	25.3	*213*

Source: Company

Earnings call highlights

Lead Acid Business (LAB)

- **Q4 FY25 volumes (y/y %).** 4Ws: high single-digits, OEMs up 15% and replacements 9%, while exports down 3% (slowdown in western region and APAC). 2Ws: double-digits, OEM and replacement volumes grew 13%. Industrials was muted as growth in UPS was negated by telecoms down 15%. Growth in autos led by robust replacement demand, more vehicles produced and market-share gains. 4W OEM market share at 35-36%. In Q1 FY26, slight dip expected in 2W OEMs. Lube Q4 revenue at Rs400m. Home UPS and inverters grew 15% in Q4.
- **LAB industry.** The India market is expected to register a 5% CAGR from $4.6bn in FY25 to $5.8bn in FY30, mainly led by automotive demand, while industrials is mixed as UPS/data centre demand is growing, though telecoms is declining due to the shift toward lithium. The global market is expected to record a 4% CAGR from $49.4bn in FY25 to $61.2bn by FY30. The LAB market remains relevant due to lower costs, high recyclability and wide infrastructure.
- **Margins.** Q4 FY25 margins impacted 150-200bps q/q due to higher alloy cost (particularly antimony; export restrictions by China, though no supply shortage), power cost increases (regulatory issues with solar power settlements; expects cost pressure to persist for a few more quarters), higher share of traded goods (15% in Q4 vs 10% in Q3) and rise in warranty provisions. **Expects margin pressure to continue in H1 FY26. It has set a target of a 14% EBITDA margin ahead.** Drivers ahead are a 2% price hike in the aftermarket in Apr'25, re-instatement of the new tubular plant (from Jun'25; capacity of 1.5m units), new recycling plant (50,000 tonnes from Q4 FY25; refining started and battery breaking from Q2 FY26), throughput gains and a better product mix. Throughput improvement is focused on cycle times, downtime and speed losses (automotive capacity rose from 59m to 66m units; Industrial capacity improved from 3.1bn Ah to 3.2bn Ah).

New Energy Business

- FY25 revenue was flat. Q4 FY25 grew 35% y/y led by higher volumes for chargers (on completion of localisation for 2Ws/3Ws) and telecoms. EV pack revenue muted due to lower OEM offtake. Currently, supplies packs to telecoms, UPS and light EVs. Also working on initial development for PV EV OEMs.
- **Giga plant.** Commencement of phase 1 been delayed to Q3 FY27 vs earlier target of FY26. Will expand offerings to PVs, buses and energy storage. EBITDA of $4–5/kWh can be achieved on higher scale of 8–10 GWh and gross realisation of $20–25/kWh over material costs. Key would be supply chain and scale. Currently, Indian manufacturing has 15-20% cost disadvantage compared to Chinese imports. Invested Rs8.5bn in ARACT till now (Rs3.5bn utilized). Capex required is Rs20-25bn for 1st phase of 4GWh (cylindrical cell for NMC and LFP). Cell prices are continuously falling, averaging $50-55/kWh for LFP and $60 for NMC.
- Working on launching lithium based solutions for home UPS and solar offerings. Field trials/product development are in progress; launches expected next season.

- Battery pack assembly capacity: 2.5GWh at two plants. Tirupathi–1GWh – telecoms and Divitipally – 1.5GWh – 2W/3W.
- **Industry.** India's lithium-ion battery (LiB) market is expected to climb from ~10GWh in FY25 to 100GWh by FY30. 80-85% demand expected from automotive, the rest from stationary energy. EV penetration assumptions are 60-65% for 3Ws, 35-40% for 2Ws, 10-15% for PVs and 7-10% for CVs.

Capex

- ~Rs12bn FY25 capex includes Rs8bn for LAB (including Rs4bn for tubular plant), the rest for the new energy business (customer qualification plant, R&D labs, land development for plant). **FY26 capex expected at similar levels as in FY25** with major capex for new energy projects. Customer qualification plant/R&D labs to start from Q2/Q3 FY26.

Valuations

Lithium cell batteries. Despite losing out in the PLI-ACC scheme, Amara Raja plans to set up a lithium-ion cell manufacturing plant, to be gradually commissioned from FY27. It has developed NMC technology with Highstar, while LFP technologies are being developed with Gotion Inobat. E positive labs, customer qualification (60MWh/year) and NMC cell (2GWh) plants are being constructed at Rs20bn capex and would be ready by Q1 FY27.

The LFP cell plant could be of 4-5 GWh with two cell types and would be ready by CY27/28. Capex would be Rs20bn-25bn. Average realisation expected is $80-90/kWh.

Larger customer wins and sustainable profitability are key challenges due to falling prices and changing technologies.

Battery packs, chargers. Battery packs are supplied to 3W OEMs (Piaggio, M&M) and telecoms (BSNL). Chargers are supplied to 3W OEMs (M&M, Piaggio) and for stationary applications. The company is preparing for 2W and certain high-voltage applications, having entered a technology agreement. The 1.5GW/h battery pack capacity has been raised to 2.5GW/h (including 1 GWh for telecoms). Larger OEMs prefer in-house facilities to maintain quality/differentiated technologies, and the evolution of cell-to-pack technologies would be challenging for this business.

Lead batteries. The outlook for automotive and industrial demand is bright. Volume growth would be in high-single digits. We expect a 10% revenue CAGR over FY25-27. Margins would improve, led by better nett pricing and new tubular/recycling plant.

Valuation. We expect standalone 10/15% revenue/EBITDA CAGRs over FY25-27. We recommend a Hold, with a TP of Rs1,125, 12x the parent's FY27e EPS, and Amara Raja Advance Cell Technologies (new lithium energy unit) at Rs284/sh. We estimate ARACT's FY29 revenue/PAT at Rs52.2bn/2.61bn and a valuation of 25x discounted PAT (a 12% discounting factor).

Fig 8 – Change in estimates – standalone

	Old		New		Change (%)	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Revenue	1,41,097	1,56,312	1,37,734	1,50,993	*-2.4*	*-3.4*
EBITDA	22,065	24,757	18,807	21,675	*-14.8*	*-12.4*
% of revenue	*15.6*	*15.8*	*13.7*	*14.4*		
Adj. PAT	12,736	14,414	10,652	12,709	*-16.4*	*-11.8*
EPS (Rs)	69.6	78.8	58.2	69.4	*-16.4*	*-11.8*

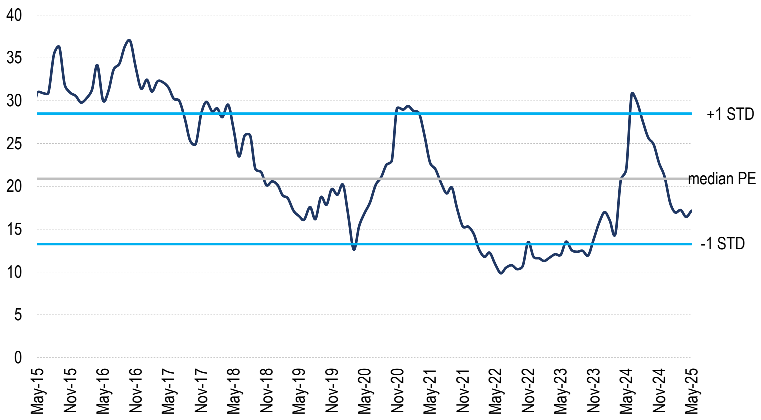
Source: Anand Rathi Research

Fig 9 – Key assumptions - standalone

(Rs m)	FY22	FY23	FY24	FY25	FY26e	FY27e	CAGR % FY25-27e
Automotive (2Ws, 4Ws)	**56,001**	**67,006**	**74,498**	**86,659**	**99,699**	**1,11,365**	***13***
Growth (%)	*24*	*20*	*11*	*16*	*15*	*12*	
-OEM	**9,168**	**11,398**	**12,253**	**13,560**	**15,165**	**16,518**	***10***
Growth (%)	*28*	*24*	*8*	*11*	*12*	*9*	
-Aftermarket	**46,833**	**55,608**	**62,245**	**73,099**	**84,534**	**94,847**	***14***
Growth (%)	*24*	*19*	*12*	*17*	*16*	*12*	
Industrial	**28,298**	**31,376**	**34,700**	**33,644**	**33,990**	**35,260**	***2***
Growth (%)	*17*	*11*	*11*	*(3)*	*1*	*4*	
Others	**2,659**	**3,021**	**3,405**	**3,746**	**4,046**	**4,369**	***8***
Growth (%)	*13*	*14*	*13*	*10*	*8*	*8*	
Total revenue	**86,958**	**1,01,403**	**1,12,603**	**1,24,049**	**1,37,734**	**1,50,993**	***10***
Growth (%)	*22*	*17*	*11*	*10*	*11*	*10*	

Source: Anand Rathi Research

Fig 10 - One-year-forward P/E (median 21x) – Valuations factor in the new energy opportunities



Source: Company, Anand Rathi Research

Risks

- More-than-estimated growth in lead batteries.
- Good orders for the lithium-ion cell plant.
- Lower commodity prices.

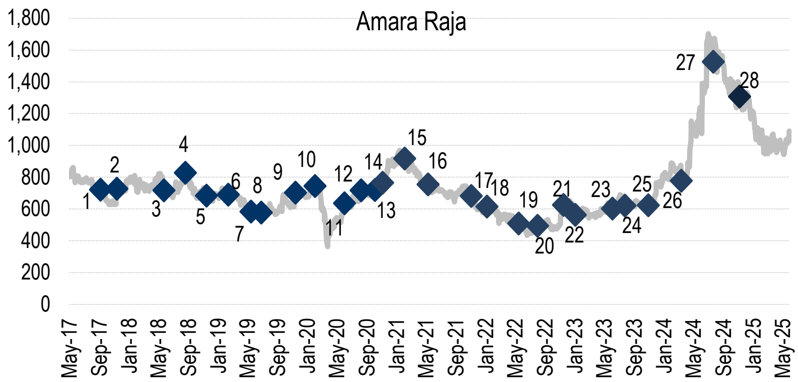
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 1 June 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
15	15-Feb-21	**Buy**	1,117	930
16	23-May-21	**Buy**	1,131	792
17	13-Nov-21	**Buy**	890	697
18	10-Feb-22	**Buy**	903	620
19	23-May-22	**Buy**	737	530
20	08-Aug-22	**Buy**	733	505
21	04-Nov-22	**Buy**	750	570
22	27-Jan-23	**Buy**	819	565
23	24-May-23	**Hold**	650	615
24	14-Aug-23	**Hold**	660	614
25	01-Nov-23	**Hold**	700	618
26	03-Feb-24	**Sell**	800	895
27	06-Aug-24	**Sell**	1330	1508
28	07-Nov-24	**Hold**	1490	1332

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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