

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. 1,030. 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 (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 1QFY26, lead acid revenues were up 5% YoY aided by healthy growth in automotive OEM (~13% YoY) and aftermarket (2W/4W – 6%/5% YoY). Industrial segment declined ~4% YoY as telecom segment declined 30% YoY due to ongoing transition to Li-ion. Revenue from EV chargers & Lithium Battery Packs was at Rs. 1.2bn due to higher supply of ESS batteries to the telecom segment though offset by weak auto demand. We pencil in an overall revenue growth of ~8% through FY25-27E. EBITDA margins was flat QoQ as antimony prices peaked. 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. 1,030 is based on 16x FY27E EPS with Rs. 973 from lead acid and Rs. 57 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	19	11	14
FY25	1,24,049	13.1	9,639	52.7	18	11	14
FY26E	1,33,935	12.7	8,897	48.6	20	10	12
FY27E	1,44,186	14.0	11,194	61.2	16	8	13
FY28E	1,54,228	14.0	12,434	67.9	14	8	13

CMP
Rs. 958

Target Price
Rs. 1,030

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 revenue and PAT CAGR of 10% & 10%, 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	1,36,556	1,33,935	-2%	1,47,479	1,44,186	-2%
EBITDA (%)	13.9	12.7	-120 bps	14.2	14.0	-20 bps
PAT	10,501	8,897	-15%	11,975	11,194	-7%
EPS	57.4	48.6	-15%	65.4	61.2	-7%
PE	Before Results:		16.0	After Results:		16.0

All figures in Rs.Mn

OUTLOOK REVIEW 1QFY26

19 August 2025

Industry AUTOMOBILE

Key Stock Data

Bloomberg	ARENM IN
Shares o/s	183mn
Market Cap	Rs. 175bn (\$2,004mn)
52-wk High-Low	Rs. 1,639-805
3m ADV	Rs. 612mn (\$7mn)
F&O	Yes

Latest Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoters	32.9	32.9	32.9
Institutions	36.6	35.2	35.3
Public	30.5	31.9	33.8
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
ARENM	-2.2	-7.7	-38.6
Sensex	-1.0	-1.0	1.1

RESEARCH ANALYSTS

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Quarterly Financial Statement

- Standalone revenue for the quarter came in at ~Rs. 33.5 bn, up ~7% YoY and up 13% QoQ.
- Based on segmental disclosures (consolidated), lead acid segment revenue was at Rs. 32.8 bn, up 5% YoY and up 13% QoQ. Lead acid EBIT margins was at 7.7%, up 40 bps QoQ. Li-ion revenues was at Rs. 1.2 bn, down 4% YoY and down 23% QoQ. Li-ion EBIT margins was at -29.0%.
- Gross margin at 29.5%, decreased ~280 bps QoQ. Exide’s gross margin was at 30.8%, down ~40 bps QoQ. The decline in Exide’s gross margins was primarily due to increasing prices of input materials.
- Absolute other expenses increased 12% YoY. As % of revenue, the same was down 270 bps QoQ.
- Consequently, EBITDA came in at Rs. 3.9 bn, down 10% YoY and up 13% QoQ. EBITDA margin came in at 11.5%, flat QoQ.
- Depreciation for the quarter at Rs. 1.3 bn was up ~9% YoY.
- PAT for the quarter stood at Rs. 1.9 bn, down 21% YoY and up 16% QoQ.

Standalone Financial Results

Rs. mn\Period	1QFY26	1QFY25	yoy Growth	4QFY25	qoq Growth	FY25	FY24	Yoy Growth
Revenue	33,499	31,312	7.0%	29,739	12.6%	1,24,049	1,12,595	10.2%
Raw Material	23,629	21,563	9.6%	20,132	17.4%	84,071	75,759	11.0%
Employee Cost	1,976	1,856	6.5%	1,801	9.7%	7,468	6,836	9.2%
Other Expenses	4,028	3,590	12.2%	4,383	-8.1%	16,220	13,941	16.3%
Total Expenditure	29,633	27,008	9.7%	26,316	12.6%	1,07,758	96,536	11.6%
EBITDA	3,867	4,304	-10.2%	3,422	13.0%	16,291	16,059	1.4%
Margin %	11.5%	13.7%	-220 bps	11.5%	3 bps	13.1%	14.3%	-113 bps
D&A	1,292	1,183	9.3%	1,284	0.7%	4,921	4,730	4.0%
EBIT	2,574	3,121	-17.5%	2,138	20.4%	11,370	11,330	0.4%
Other income	139	256	-45.4%	200	-30.4%	933	1,013	-7.9%
Net Interest exp (inc)	103.5	89.7	15.4%	94.9	9.1%	422.4	311.7	35.5%
PBT	2,610	3,287	-20.6%	2,244	16.3%	11,881	12,032	-1.3%
Tax provision	670	841	-20.3%	576	16.4%	3,353	3,035	10.5%
Tax rate %	25.7%	25.6%	8 bps	25.7%	2 bps	28%	25%	300 bps
PAT (Reported)	1,940	2,446	-20.7%	1,668	16.3%	9,639	8,997	7.1%
PAT (Adjusted)	1,929	2,446	-21.1%	1,658	16.3%	8,810	8,997	-2.1%
Adjusted PAT Margin %	5.8%	7.8%	-205 bps	5.6%	18 bps	7.1%	8.0%	-89 bps
Shares Outstanding	183	183		183		183	183	
EPS (Reported)	10.6	13.4	-20.7%	9.1	16.3%	52.7	49.2	7.1%
EPS (Adjusted)	10.5	13.4	-21.1%	9.1	16.3%	48.1	49.2	-2.1%

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	133.9	144.2	154.2	165.3	176.8
YoY (%)		10%	10%	8%	8%	7%	7%	7%
EBITDA	14.3	16.1	16.2	17.0	20.2	21.6	23.1	24.8
EBITDA (%)	14.1%	14.4%	13.1%	12.7%	14.0%	14.0%	14.0%	14.0%
PAT	7.8	9.0	8.8	8.9	11.1	11.9	12.8	13.7
PAT (%)	7.7%	8.0%	7.2%	6.6%	7.7%	7.7%	7.7%	7.8%
Net Block	36.9	35.5	34.7	33.5	32.9	31.9	31.1	30.0
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	0.9	7.0	6.0	6.0	7.7
Net Working Capital	17.1	14.5	11.1	11.5	12.2	13.0	13.9	14.9
NWC days	62	47	33	31	31	31	31	31
Capital Employed - Lead Acid	59.9	65.9	67.5	74.2	82.9	92.8	103.5	115.2
Li-Ion cell manufacturing operations								
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
Consolidated								
Revenues	103.9	117.1	128.5	133.9	144.2	163.0	185.6	207.6
YoY (%)		13%	10%	4%	8%	13%	14%	12%
EBITDA	14.4	16.5	16.1	16.7	20.3	21.9	24.1	26.6
EBITDA (%)	13.8%	14.1%	12.5%	12.4%	14.1%	13.5%	13.0%	12.8%
EBIT	9.6	11.6	11.0	11.2	14.5	14.0	15.1	16.5
EBIT (%)	9.2%	9.9%	8.6%	8.4%	10.0%	8.6%	8.1%	8.0%
PAT	7.6	9.2	8.6	8.8	11.3	10.9	11.6	12.7
PAT (%)	7.3%	7.8%	6.7%	6.6%	7.9%	6.7%	6.3%	6.1%
Net Block	36.9	39.4	42.0	49.5	51.2	59.3	66.4	72.0
Cash & cash equivalents	1.2	3.7	2.3	0.9	7.0	6.0	6.0	7.7
Net Working Capital	17.1	14.5	11.1	11.5	12.2	13.7	15.6	17.4
NWC days	60	45	32	31	31	31	31	31
Capital Employed - Consolidated	55.2	57.7	55.4	61.9	70.4	79.1	88.0	97.1

Amara Raja Energy & Mobility Outlook Review 1QFY26 | Rating: ADD | TP: Rs. 1,030



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. 973/share to an overall TP of Rs. 1,030

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

- 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

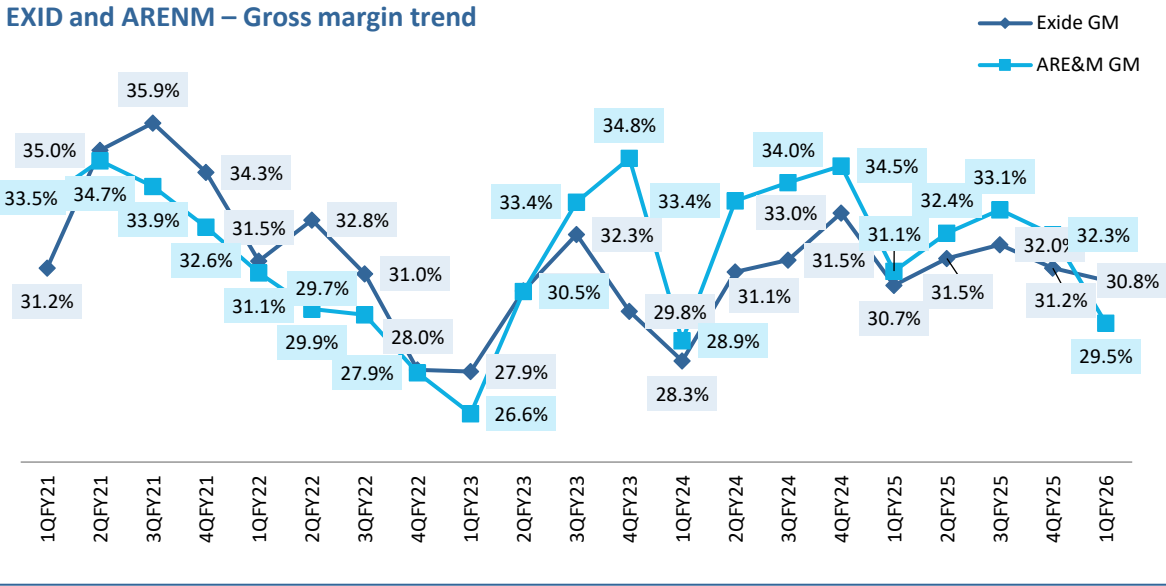
Amara: Consolidated (LaB + Li-ion)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
RoIC (%)	13%	16%	15%	15%	17%	15%	15%	14%	15%	15%	16%	17%	19%

	FY27E	FY29E
P/E Multiple	16	15
Lead Acid EPS (Rs.)	60.8	69.9
Lead Acid TP (Rs.) (A)	973	1,048
Li-Ion TP (Rs.) (B)	57	141
Total TP (Rs.) (A+B)	1,030	1,189

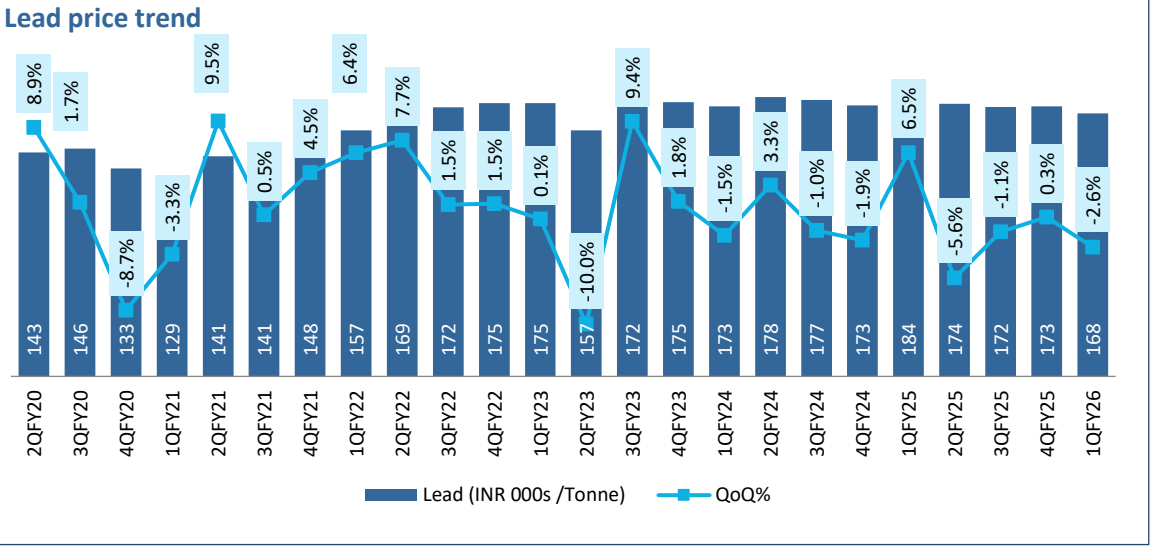
Segmental results & Margin Profile

Segmental Results (Consol)	1QFY26	4QFY25	QoQ growth	1QFY25	YoY growth	FY25	FY24	YoY growth
Revenues								
Lead acid	32,798	29,030	13%	31,373	5%	1,23,451	1,11,862	10%
Others (New Energy)	1,213	1,571	-23%	1,258	-4%	5,012	5,223	-4%
TotalRevenue	34,011	30,601	11%	32,631	4%	1,28,463	1,17,084	10%
EBIT								
Lead acid	2,530	2,132	19%	3,062	-17%	11,226	11,387	-1%
Others (New Energy)	-352	-216	63%	58	-706%	-459	285	NM
Total EBIT	2,178	1,916	14%	3,120	-30%	10,767	11,672	-8%
EBIT Margins								
Lead acid	7.7%	7.3%	37 bps	9.8%	-205 bps	9.1%	10.2%	-109 bps
Others (New Energy)	-29.0%	-13.8%	-1526 bps	4.6%	-3365 bps	-9.2%	5.5%	-1461 bps
Total EBIT	6.4%	6.3%	14 bps	9.6%	-316 bps	8.4%	10.0%	-159 bps

EXID and ARENM – Gross margin trend



Lead price trend



Source: Company, Aventus Spark

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	1,33,935	1,44,186	1,54,228	1,65,256
Gross profit	23,923	24,050	25,745	33,917	37,262	39,978	41,601	46,371	49,601	53,148
EBITDA	10,986	11,157	10,226	14,350	16,214	16,291	17,009	20,185	21,591	23,135
Depreciation	3,007	3,192	3,957	4,504	4,787	4,921	5,264	5,606	5,987	6,303
EBIT	7,978	7,965	6,269	9,846	11,427	11,370	11,745	14,579	15,604	16,832
Other Income	551	874	780	896	1,015	933	542	778	1,429	1,594
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	11,886	14,955	16,612	17,984
Reported PAT (after minority interest)	6,608	6,468	5,113	7,307	9,059	9,639	8,897	11,194	12,434	13,461
Adj PAT	6,608	6,468	5,113	7,307	9,059	9,639	8,897	11,194	12,434	13,461
EPS (Rs.)	38.7	37.9	29.9	42.8	49.5	52.7	48.6	61.2	67.9	73.6
Balance Sheet										
Net Worth	36,556	42,130	45,514	60,056	67,687	73,783	80,923	89,906	99,885	1,10,687
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	15,313	16,429	17,522	18,723
Total Networth and liabilities	43,857	50,506	55,694	71,860	79,945	89,465	97,181	1,07,080	1,18,052	1,29,955
Gross Fixed assets	29,337	38,784	43,116	59,580	62,988	67,152	71,152	76,152	81,152	86,652
Net fixed assets	18,292	24,548	24,923	36,882	35,503	34,747	33,483	32,877	31,890	31,087
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	868	7,003	6,031	6,040
Loans & advances and other assets	3,247	2,610	3,262	9,741	5,522	3,318	3,582	3,856	4,125	4,420
Net working capital	11,641	14,792	17,899	17,035	19,868	21,327	22,452	23,996	25,668	27,503
Total assets	43,857	50,506	55,694	71,860	79,945	89,465	97,181	1,07,080	1,18,052	1,29,955
Capital Employed	37,341	42,771	45,993	62,203	69,105	75,960	82,600	91,384	1,01,262	1,11,965
Invested Capital (CE - cash - CWIP)	28,226	37,021	37,161	58,862	64,844	65,866	73,291	75,939	86,790	97,484
Net debt	-1,924	-4,258	-718	-125	-3,161	-832	77	-6,258	-5,386	-5,495
Cash Flow										
Cash flows from Operations (Pre-tax)	14,133	10,016	8,323	12,125	16,431	17,035	16,837	19,859	21,752	23,357
Cash flows from Operations (post-tax)	11,769	8,020	6,330	9,562	13,142	13,752	13,848	16,098	17,574	18,834
Capex	-6,999	-4,964	-7,609	-4,659	-4,423	-7,518	-4,000	-5,000	-5,000	-5,500
Free cashflows	4,770	3,057	-1,280	4,904	8,719	6,234	9,848	11,098	12,574	13,334
Free cashflows (post interest costs)	4,633	2,948	-1,280	4,904	8,719	6,234	9,848	11,098	12,574	13,334
Cash flows from Investing	-8,497	-6,350	-4,831	-7,892	-10,720	-11,543	-12,375	-7,552	-15,991	-16,066
Cash flows from Financing	-3,638	-1,215	-2,123	-1,119	-2,425	-1,566	-2,257	-2,411	-2,555	-2,758
Total cash & liquid investments	845	1,758	536	1,236	3,694	2,278	868	7,003	6,031	6,040

Financial Summary

Standalone Financial Statements

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Key Variables										
Four wheeler OEM Volumes in Mns	2.2	2.0	2.4	2.7	3.0	3.2	3.4	3.6	3.8	3.8
Four wheeler Replacement Volumes in Mns	7.2	7.8	9.1	10.2	10.9	12.5	13.8	15.0	16.2	16.2
Four wheeler Export Volumes in Mns	0.9	0.8	1.3	1.4	1.6	1.8	2.1	2.3	2.4	2.4
Growth ratios (%)										
Revenue	1	5	22	19	8	10	8	8	7	7
EBITDA	15	2	-8	40	13	0	4	19	7	7
Adj PAT	37	-2	-21	43	24	6	-8	26	11	8
Margin ratios (%)										
Gross	35.0	33.6	29.6	32.6	33.1	32.2	31.1	32.2	32.2	32.2
EBITDA	16.1	15.6	11.8	13.8	14.4	13.1	12.7	14.0	14.0	14.0
Adj PAT	9.7	9.0	5.9	7.0	8.0	7.8	6.6	7.8	8.1	8.1
Performance ratios										
Pre-tax OCF/EBITDA (%)	129	90	81	84	101	105	99	98	101	101
OCF/IC (%)	42	22	17	16	20	21	19	22	22	20
RoE (%)	19	16	12	14	14	14	12	13	13	13
RoCE (%)	19	16	12	15	14	13	12	13	13	13
RoCE (Pre-tax) (%)	24	22	16	20	19	17	15	18	18	17
Fixed asset turnover (x)	2.5	2.1	2.1	2.0	1.8	1.9	1.9	2.0	2.0	2.0
Total asset turnover (x)	1.6	1.5	1.6	1.6	1.5	1.5	1.4	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	-0.0
Net Debt to EBITDA (x)	-0.2	-0.4	-0.1	-0.0	-0.2	-0.1	0.0	-0.3	-0.2	-0.2
Interest cover (x)	97	76	42	32	40	33	35	40	42	43
Cash conversion days	62	76	75	60	64	63	61	63	63	63
Total Working capital days	45	49	48	60	47	33	31	32	32	32
Valuation metrics										
Fully Diluted Shares (mn)	171	171	171	171	183	183	183	183	183	183
Market cap (Rs.mn)		1,75,223								
P/E (x)	24.7	25.3	32.0	22.4	19.3	18.2	19.7	15.7	14.1	13.0
P/Sales (x)	2.6	2.4	2.0	1.7	1.5	1.4	1.3	1.1	1.0	1.0
EV (Rs.mn) (ex-CWIP)	1,65,028	1,73,698	1,74,852	1,75,097	1,72,061	1,74,390	1,75,299	1,68,964	1,69,837	1,69,727
EV/ EBITDA (x)	15.0	15.6	17.1	12.2	10.6	10.7	10.3	8.4	7.9	7.3
EV/ OCF(x)	14.0	21.7	27.6	18.3	13.1	12.7	12.7	10.5	9.7	9.0
FCF Yield (%)	2.7%	1.7%	-0.7%	2.8%	5.0%	3.6%	5.6%	6.3%	7.2%	7.6%
Price to BV (x)	4.8	4.2	3.8	2.9	2.6	2.4	2.2	1.9	1.8	1.6
Dividend yield (%)	2.0%	0.5%	1.0%	0.4%	0.8%	1.1%	1.0%	1.3%	1.4%	1.5%
Dividend pay-out (%)	50.1%	13.2%	33.4%	7.9%	15.1%	19.7%	19.7%	19.7%	19.7%	19.7%

Crystal Ball Gazing

Expect ARENM to report a revenue and PAT CAGR of ~8% & 11% 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%	32%
EBITDA CAGR	52%	29%	9%	8%
EBITDA margin	14.3%	15.3%	15.5%	13.7%
EPS CAGR	61%	34%	5%	11%
Total Asset Turnover (x)	1.5	2.0	1.8	1.4
Total WC days	96	49	50	38
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)	(0.1)

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%	13.2%
RoCE (%)	16.1%	25.8%	19.4%	13.2%
RoIC (%)	25.0%	49.4%	32.5%	18.6%

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	73.6	1,215

Entry = Rs. 958 @ 15.7x FY27E EPS

+

Cumulative Dividends of Rs. 27/share

+

EPS CAGR of ~11%, implied exit multiple of 16x on FY29E EPS

=

Total Return of 27%

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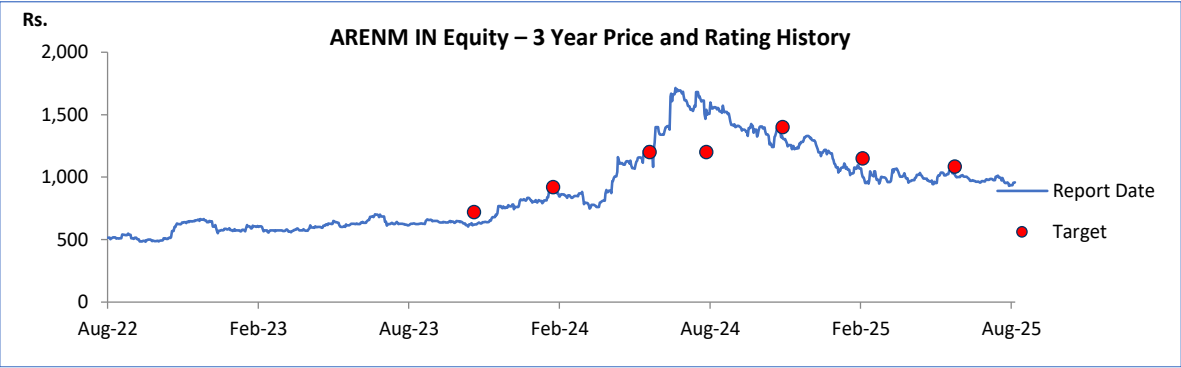
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