

Amara Raja Energy & Mobility Ltd.

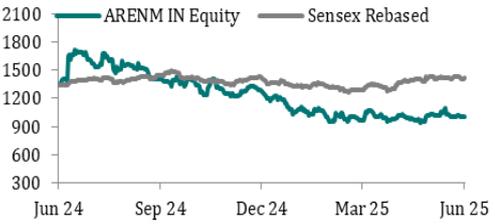
BUY

Sector: Auto Ancillaries

18th June 2025

Key Changes	Target 	Rating 	Earnings 	Target	Rs.1,224		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.996
Small Cap	ARENM:IN	81,583	ARE&M	500008	12 Months	Return	+23%

Data as of:17-06-2025

Company Data			
Market Cap (Rs.cr)	18,262		
52 Week High - Low (Rs.)	1,775-805		
Enterprise Value (Rs.cr)	18,377		
Outstanding Shares (cr)	18.3		
Free Float (%)	67.1		
Dividend Yield	1.0		
6m average volume (cr)	0.07		
Beta	1.4		
Face value Rs.	1		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	32.9	32.9	32.9
FII's	22.3	21.8	20.7
MFs/Insti	15.2	14.5	14.4
Public	29.6	30.8	32.1
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.1%	-16.8%	-27.3%
Absolute Sensex	6.8%	4.5%	5.5%
Relative Return	-10.9%	-21.3%	-32.9%
*over or under performance to benchmark index			
			
Standalone (cr)	FY25A	FY26E	FY27E
Sales	12,405	13,925	15,322
Growth (%)	10.2	12.3	10.0
EBITDA	1,629	1,671	1,992
EBITDA Margin (%)	13.1	12.0	13.0
Adj. PAT	853	931	1,152
Growth (%)	-5.9	9.2	23.7
Adj. EPS	46.6	50.9	62.9
Growth (%)	-5.9	9.2	23.7
P/E	20.8	19.1	15.4
P/B	2.2	2.0	1.8
EV/EBITDA	10.3	10.0	8.4
ROE (%)	11.9	11.8	13.1
D/E	0.1	0.1	0.1

Long-term growth trajectory remains strong.

Amara Raja Energy & Mobility Ltd. (ARE&M), the flagship company of the Amara Raja Group, is one of the largest manufacturers of lead-acid batteries. Its segments comprise 70% automotive & the remaining industrial, with market dominance in the telecom segment.

- In Q4FY25, the company reported a 5% YoY increase in consolidated revenue, with the lead-acid business contributing Rs 2,900 crores (6% YoY growth), maintaining a 95% revenue share. The new energy segment grew 35% YoY in Q4 but remained flat for the full year.
- Volume growth in the aftermarket and OEM segments (4W/2W) remained healthy. However, industrial battery sales for telecom witnessed a ~15% YoY decline.
- EBITDA margin declined by 307bps QoQ, primarily due to higher operating costs associated with sourcing metals (Antimony alloys) from China. The company reiterated its 14% internal target margin, aiming to achieve this through price hikes and operating leverage from new facility ramp-ups.
- Despite progress in new business recovery, near-term challenges persist, including pricing pressure, raw material price volatility, global tariffs, and regulatory hurdles, which have led to valuation corrections.
- We anticipate that continuous localization efforts, synergies with export OEMs, and enhanced commercial production will drive long-term growth.

Outlook & Valuation

The company has shown steady growth in its core segments and is actively expanding its capacity and capabilities across areas like recycling, tubular batteries, and New Energy. However, it is currently navigating short-term margin pressures due to rising material and power costs. Timely commissioning of new energy projects and aggressive Chinese cell pricing to be considered as watchlist risks. We believe investment in key projects and geography to support overall valuation. On a 1 year fwd basis, the stock has corrected significantly due to external headwinds and is currently trading near to its all time avg. **We value ARE&M on SOTP with 16x EPS (Standalone) at Rs.1,007/share, new mobility & energy investments at Rs.217/share, with a target price of Rs.1,224/share and reiterate our Buy rating at CMP.**

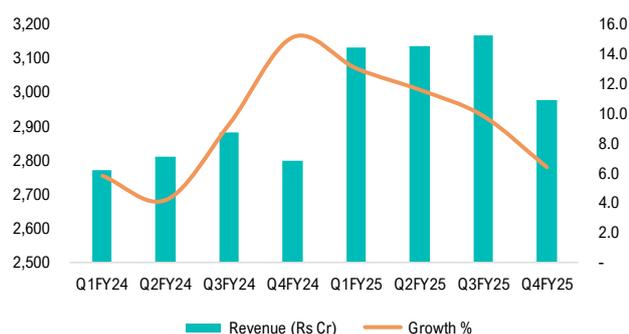
Quarterly Financials (Standalone)

Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	2,974	2,797	6.3	3,164	-6.0	12,405	11,260	10.2
EBITDA	342	408	-16.1	416	-17.7	1,629	1,621	0.5
Margin (%)	11.5	14.6	-307bps	13.1	-163bps	13.1	14.4	-126bps
EBIT	214	287	-25.4	292	-26.9	1,137	1,143	-0.5
PBT	224	305	-26.5	422	-46.9	1,299	1,211	7.3
Rep. PAT	167	228	-26.8	312	-46.5	964	906	6.4
Adj PAT	167	228	-26.8	201	-16.9	853	906	-5.9
EPS (Rs)	9.1	12.5	-26.8	11.0	-16.9	46.6	49.5	-5.9

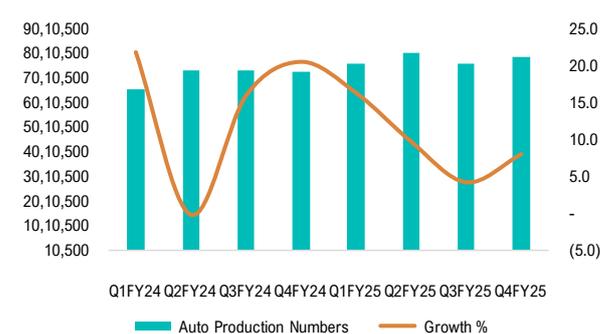
Key Concall Highlights

- The construction of the lithium-ion plant under Exide Energy Solutions Limited is almost complete. However, first-phase production is expected to be delayed due to higher material costs and Chinese export restrictions. Additionally, cost pressures persist, followed by a scalability and stabilization period and customer approvals.
- The lead-acid business is expected to perform well in the near to medium term. A recovery is anticipated in the auto OEM and telecom segments during the second half of the year. However, the telecom sector is experiencing weak demand due to a high base from last year and a transition to lithium-ion batteries. Meanwhile, demand from auto OEMs has been modest due to increased channel inventories and production cuts.
- Margin recovery is expected as new manufacturing ramps up and throughput enhancements deliver operating leverage, with a long-term target of a 14% EBITDA margin. Additionally, operational efficiencies will be driven through cost excellence projects, optimizing the product mix, and focusing on profitable exports.
- The company projects India's lead-acid battery market to grow from \$4.6 billion to \$5.8 billion in five years (~5% CAGR), calling this a "conservative" estimate due to some segment shifts to other chemistries.
- Full-year consolidated revenue rose 10% YoY, with lead acid posting double-digit growth. Segment-wise, 4W aftermarket volumes rose 9%, 4W OEM grew 15%, and the 2W segment saw a 13% increase. Home inverter batteries delivered ~17% growth, while telecom lead acid declined ~15% YoY. Exports fell 10% in Q4 but grew 12–13% for the year.

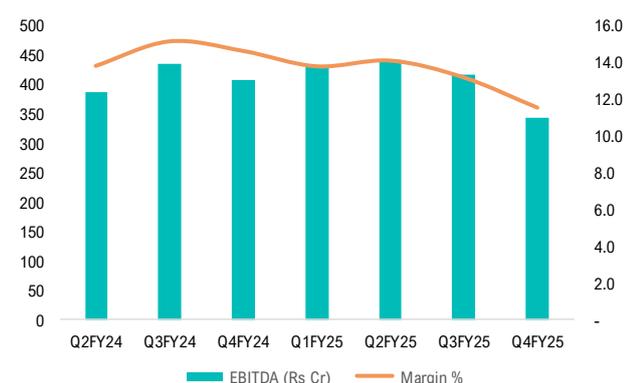
Revenue



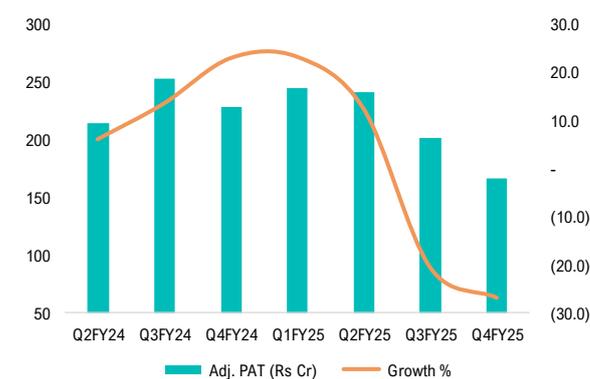
Auto Production Numbers



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	13,797	15,247	13,925	15,322	0.9	0.5
EBITDA	1,890	2,074	1,671	1,992	-11.6	-4.0
Margins (%)	13.7	13.6	12.0	13.0	-170bps	-60bps
Adj. PAT	1,064	1,177	931	1,152	-12.5	-2.2
EPS	58.1	64.3	50.9	62.9	-12.5	-2.2



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	10,390	11,260	12,405	13,925	15,322
% change	19%	8%	10%	12%	10%
EBITDA	1,435	1,621	1,629	1,671	1,992
% change	40%	13%	0%	3%	19%
Depreciation	442	469	480	483	526
EBIT	985	1,143	1,137	1,174	1,448
Interest	30	33	42	43	45
Other Income	90	102	93	124	150
PBT	997	1,211	1,299	1,255	1,552
% change	44%	21%	7%	-3%	24%
Tax	266	305	335	324	400
Tax Rate (%)	27%	25%	26%	26%	26%
Reported PAT	731	906	964	931	1,152
Adj*	48	0	-111	0	0
Adj PAT	778	906	853	931	1,152
% change	52%	16%	-6%	9%	24%
No. of shares (cr)	17.1	17.1	18.3	18.3	18.3
Adj EPS (Rs.)	42.5	49.5	46.6	50.9	62.9
% change	52%	16%	-6%	9%	24%
DPS (Rs.)	10.0	10.0	10.0	10.0	10.0
CEPS (Rs.)	71.9	81.1	73.5	78.1	92.7

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	1,439	1,680	1,779	1,738	2,078
Non-cash adj.	-258	-296	-323	-309	-382
Changes in W.C	-620	-20	51	-220	-193
C.F. Operation	561	1,365	1,507	1,208	1,503
Capital exp.	-815	-601	-601	-601	-601
Change in inv.	-13	49	-146	-1,255	-743
Other invest.CF	0	0	0	0	0
C.F – Investment	-408	-1,946	-1,416	-1,206	-1,192
Issue of equity	0	0	1	0	0
Issue/repay debt	-7	37	105	-6	25
Dividends paid	-95	-171	-183	-183	-183
Other finance.CF	870	16	9	9	11
C.F – Finance	768	-118	-67	-180	-147
Chg. in cash	922	-700	24	-177	164
Closing cash	966	266	289	112	276

BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	966	266	289	112	276
Accounts Receivable	780	1,017	1,020	1,145	1,259
Inventories	1,643	1,810	1,958	2,221	2,423
Other Cur. Assets	1,072	554	612	687	756
Investments	224	1,479	2,222	2,746	3,246
Gross Fixed Assets	5,207	5,807	6,407	7,007	7,607
Net Fixed Assets	2,831	3,008	3,167	3,323	3,436
CWIP	233	250	250	250	250
Intangible Assets	69.09	87.02	109.18	137.00	171.53
Def. Tax (Net)	-73	-88	-98	-107	-117
Other Assets	0	0	0	0	0
Total Assets	7,745	8,382	9,529	10,515	11,701
Current Liabilities	689	445	576	653	713
Provisions	272	292	340	382	420
Debt Funds	17	53	158	152	177
Other Liabilities	7	27	127	152	177
Equity Capital	17	17	18	18	18
Reserves & Surplus	6,000	6,735	7,516	8,264	9,232
Shareholder's Fund	6,017	6,752	7,534	8,282	9,251
Total Liabilities	7,745	8,382	9,529	10,515	11,701
BVPS (Rs.)	352	395	441	485	542

RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.8	14.4	13.1	12.0	13.0
EBIT margin (%)	9.5	10.1	9.2	8.4	9.4
Net profit mgn.(%)	7.5	8.0	6.9	6.7	7.5
ROE (%)	14.7	14.2	11.9	11.8	13.1
ROCE(%)	13.1	12.8	10.9	10.8	12.0
W.C & Liquidity					
Receivables (days)	27.6	29.1	30.0	28.4	28.6
Inventory (days)	89.9	83.6	81.8	80.0	81.5
Payables (days)	36.7	27.5	22.2	23.5	24.0
Current ratio (x)	4.6	4.9	4.2	4.0	4.2
Quick ratio (x)	2.5	2.9	2.3	1.9	2.2
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.0	2.0	2.1	2.1
Total asset T.O (x)	1.5	1.4	1.4	1.4	1.4
Int. coverage ratio (x)	33.3	34.4	26.9	27.5	31.9
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.6	1.5	1.3	1.2	1.1
EV/EBITDA (x)	11.6	10.3	10.3	10.0	8.4
P/E (x)	22.8	19.6	20.8	19.1	15.4
P/BV (x)	2.8	2.5	2.2	2.0	1.8



Recommendation Summary (Last 3 years)



Dates	Rating	Target
14.Dec.21	Buy	741
12.Aug.22	Buy	615
08.Nov.22	Accumulate	670
21.Jun.23	Buy	762
08.Feb.24	Accumulate	990
13.Sep.24	Buy	1,682
18.Mar.25	Buy	1,160
18.Jun.25	Buy	1,224

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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