

MAY 23, 2021

**RESULT**

Sector view: **Cautious**

CMP (₹): **792**

Fair Value (₹): **725**

BSE-30: **50,540**

**In-line quarter.** AMRJ reported 4QFY21 EBITDA of Rs3.2 bn, 4% below our estimates due to lower-than-expected gross margins on account of RM headwinds. Even after factoring in strong volume growth led by recovery in automotive OEM and industrial segments from 2HFY22E onwards, valuations of the company are expensive (16.4X FY2023E EPS estimates). With low investments in R&D and limited expertise in the lithium-ion technology, we believe multiple re-rating is unlikely. Maintain SELL with revised FV of Rs725 (from Rs770).

Amara Raja Batteries				Forecasts/valuations			
Stock data				2021	2022E	2023E	
CMP(Rs)/FV(Rs)/Rating	792/725/SELL			EPS (Rs)	37.9	41.5	48.2
52-week range (Rs) (high-low)	1,026-563			EPS growth (%)	(2.1)	9.7	16.0
Mcap (bn) (Rs/US\$)	136/1.9			P/E (X)	20.9	19.1	16.4
ADTV-3M (mn) (Rs/US\$)	910/13			P/B (X)	3.2	2.9	2.5
Shareholding pattern (%)				EV/EBITDA (X)	12.0	10.5	9.0
Promoters	28.1			RoE (%)	16.4	15.9	16.3
FPIs/MFs/BFIs	21.3/5.9/6.7			Div. yield (%)	1.4	1.3	1.5
Price performance (%)				Sales (Rs bn)	71	82	89
Absolute	1M	3M	12M	EBITDA (Rs bn)	11	12	14
Rel. to BSE-30	(1.1)	(9.8)	32.7	Net profits (Rs bn)	6	7	8
	(6.7)	(9.2)	(18.8)				

#### 4QFY21 EBITDA 4% below estimates due to RM headwinds

Amara Raja reported 4QFY21 EBITDA of Rs3.2 bn (+30% yoy), 4% below our estimates due to lower-than-expected gross margins. Revenue increased by 33% yoy (KIE: +30% yoy), which was led by strong volume growth across segments – (1) 35-40% yoy growth in the inverter segment, (2) 50% yoy growth in the 2W segment led by strong growth in the 2W OEM segment on account of two customer additions and (3) 20% yoy growth in 4W and industrial segments. In FY2021, the company's revenues grew by 5% yoy led by strong growth in automotive replacement and inverter segments and market share gains in the 2W OEM segment. EBITDA margin came in at 15.1% (-30 bps yoy, -50 bps qoq), 90 bps below our estimate due to lower-than-expected gross margins. Gross margins deteriorated by 130 bps qoq led by RM cost pressures; the company expects the RM basket to remain at similar levels in the coming quarters. The company took 1% price hike in the automotive replacement segment in April to partly offset the impact of the same. Depreciation expense increased by 10% qoq due to commissioning of the new line in the Andhra Pradesh plant. Net profit came in at Rs2.6 bn (+39% yoy), 3% below our estimates due to miss at EBITDA level and higher-than-expected depreciation expense, partly offset by higher-than-expected other income.

#### Cut FY2022-23E EPS estimates by 4-9%; maintain SELL

We have cut our FY2022-23E EPS estimates by 4-9% led by (1) 130-140 bps cut in EBITDA margin assumptions and (2) 2% increase in our revenue growth assumptions due to stronger recovery in automotive replacement and select industrial segments (UPS and telecom). Overall, we expect revenues to grow by 14% in FY2022E due to (1) 9-15% yoy growth in replacement and UPS segments and (2) 15-30% yoy growth in 2W and 4W OEM segments. We expect EBITDA margin to remain around ~15.2-15.6% in FY2022-23E led by an inferior product mix (higher mix of OEM and industrial segments) and RM headwinds, offset by operating leverage benefits. We continue to remain concerned on the company's lack of investments in the lithium-ion technology for electric vehicles. Maintain SELL on expensive valuations. FV revised to Rs725 (from Rs770), valuing the company at 15X March 2023E EPS.

Hitesh Goel

hitesh.goel@kotak.com  
Mumbai: +91-22-4336-0878

Rishi Vora

rishi.vora@kotak.com  
Mumbai: +91-22-4336-0874

Exhibit 1: EBITDA was 4% below our estimates due to lower-than-expected gross margins  
Amara Raja interim results, March fiscal year-ends (Rs mn)

	4QFY21	4QFY21E	4QFY20	3QFY21	(% chg.)			FY2021	FY2020	Yoy (%)	FY2022E	FY2021	Yoy (%)
					4QFY21E	4QFY20	3QFY21						
Net sales	21,027	20,558	15,814	19,601	2.3	33.0	7.3	71,497	68,395	4.5	81,736	71,497	14.3
Raw materials	(14,183)	(13,671)	(10,069)	(12,964)	3.7	40.9	9.4	(47,447)	(44,471)	6.7	(54,737)	(47,447)	15.4
Staff costs	(1,071)	(1,200)	(937)	(1,180)	(10.7)	14.4	(9.2)	(4,260)	(3,852)	10.6	(4,686)	(4,260)	10.0
Other expenses	(2,608)	(2,400)	(2,377)	(2,394)	8.7	9.7	9.0	(8,633)	(9,086)	(5.0)	(9,893)	(8,633)	14.6
Total expenses	(17,862)	(17,271)	(13,382)	(16,537)	3.4	33.5	8.0	(60,340)	(57,409)	5.1	(69,317)	(60,340)	14.9
EBITDA	3,165	3,287	2,432	3,064	(3.7)	30.2	3.3	11,157	10,986	1.6	12,420	11,157	11.3
Depreciation	(871)	(790)	(760)	(791)	10.2	14.6	10.1	(3,192)	(3,007)	6.1	(3,664)	(3,192)	14.8
EBIT	2,295	2,497	1,672	2,273	(8.1)	37.2	0.9	7,965	7,978	(0.2)	8,755	7,965	9.9
Other income	321	150	141	352	113.9	127.4	(8.8)	874	551		887	874	1.5
Interest expense	(28)	(26)	(30)	(26)				(105)	(122)		(60)	(105)	(43.0)
Profit before tax	2,588	2,621	1,783	2,599	(1.3)	45.2	(0.4)	8,733	8,407	3.9	9,582	8,733	9.7
Exceptional income/(expense)								—	—		—	—	
Tax expense	(693)	(671)	(416)	(667)		66.5	3.9	(2,265)	(1,799)		(2,485)	(2,265)	9.7
Profit after tax	1,895	1,950	1,367	1,932	(2.8)	38.7	(1.9)	6,468	6,608	(2.1)	7,097	6,468	9.7
EPS (Rs)	11.1	11.4	8.0	11.3	(2.8)	38.7	(1.9)	37.9	38.7	(2.1)	41.5	37.9	9.7
<b>As % of net revenues</b>													
Raw material cost as % of net sales	67.4	66.5	63.7	66.1				66.4	65.0		67.0	66.4	
Staff cost as % of net sales	5.1	5.8	5.9	6.0				6.0	5.6		5.7	6.0	
Other expenses as % of net sales	12.4	11.7	15.0	12.2				12.1	13.3		12.1	12.1	
No. of shares	170.8	170.8	170.8	170.8				170.8	170.8		170.8	170.8	
Tax rate (%)	26.8	25.6	23.4	25.7				25.9	21.4		25.9	25.9	
EBITDA margin (%)	15.1	16.0	15.4	15.6				15.6	16.1		15.2	15.6	
EBIT margin (%)	10.9	12.1	10.6	11.6				11.1	11.7		10.7	11.1	

Source: Company, Kotak Institutional Equities

Exhibit 2: Higher RM cost and inferior product mix (lower mix of replacement segment) impacted GM in 4QFY21 on a qoq basis  
Revenue growth, gross and EBITDA margin comparison of Amara Raja and Exide, March fiscal year-ends, 4QFY18-4QFY21 (%)

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
<b>Amara Raja</b>													
Revenue growth (%)	17.6	18.8	22.8	9.1	(0.9)	2.0	(3.3)	3.1	0.9	(36.6)	14.2	12.1	33.0
Gross margin (%)	31.3	28.5	30.9	32.8	34.8	32.4	35.9	35.5	36.3	33.5	34.7	33.9	32.6
EBITDA margin (%)	13.3	12.4	13.5	14.9	15.5	15.4	17.2	16.2	15.4	13.2	17.6	15.6	15.1
<b>Exide</b>													
Revenue growth (%)	24.5	31.8	15.4	9.7	5.7	0.2	(4.0)	(3.4)	(20.9)	(44.3)	5.5	16.2	43.0
Gross margin (%)	34.8	33.6	33.1	35.1	35.1	35.5	36.2	36.2	38.2	31.2	35.0	35.9	34.4
EBITDA margin (%)	13.7	14.1	12.2	12.5	14.4	14.7	14.1	13.3	13.1	9.6	14.2	14.4	14.1

Source: Company, Kotak Institutional Equities

**Exhibit 3: LME lead prices have increased by 3% qoq in 4QFY21**  
 Quarterly LME lead prices, March fiscal-year ends, 1QFY14-4QFY21

	LME lead (US\$/ton)	USD:INR rate	LME lead (Rs/ton)	Qoq increase (%)
1QFY14	2,113	54.4	114,899	
2QFY14	2,084	58.9	122,738	6.8
3QFY14	2,119	63.0	133,505	8.8
4QFY14	2,120	62.1	131,660	(1.4)
1QFY15	2,083	60.7	126,487	(3.9)
2QFY15	2,158	59.9	129,282	2.2
3QFY15	2,092	61.1	127,837	(1.1)
4QFY15	1,902	62.3	118,562	(7.3)
1QFY16	1,901	62.7	119,247	0.6
2QFY16	1,806	63.8	115,228	(3.4)
3QFY16	1,690	65.7	111,084	(3.6)
4QFY16	1,687	67.0	113,049	1.8
1QFY17	1,758	67.0	117,759	4.2
2QFY17	1,762	67.1	118,276	0.4
3QFY17	1,984	66.8	132,542	12.1
4QFY17	2,244	67.9	152,368	15.0
1QFY18	2,243	65.3	146,468	(3.9)
2QFY18	2,200	64.4	141,680	(3.3)
3QFY18	2,428	64.7	157,092	10.9
4QFY18	2,539	64.1	162,750	3.6
1QFY19	2,388	65.6	156,653	(3.7)
2QFY19	2,232	69.0	154,008	(1.7)
3QFY19	1,999	72.4	144,728	(6.0)
4QFY19	2,049	70.5	144,352	(0.3)
1QFY20	1,882	69.5	130,874	(9.3)
2QFY20	2,033	70.4	143,141	9.4
3QFY20	2,038	71.2	145,167	1.4
4QFY20	1,834	72.4	132,782	(8.5)
1QFY21	1,676	75.8	127,041	(4.3)
2QFY21	1,874	74.4	139,375	9.7
3QFY21	1,917	73.8	141,472	1.5
4QFY21	2,007	72.9	146,310	3.4

Source: Bloomberg, Kotak Institutional Equities

**Exhibit 4: We have increased our FY2022-23E EPS estimates by 4-9% on lower EBITDA margin assumptions**

Earnings revision table, March fiscal year-ends, 2022-23E (Rs mn, %)

	New estimates		Old estimates		% change	
	2022E	2023E	2022E	2023E	2022E	2023E
<b>Amara Raja</b>						
Net sales	81,736	89,500	80,211	87,541	1.9	2.2
EBITDA	12,420	13,988	13,334	14,793	(6.9)	(5.4)
Margin (%)	15.2	15.6	16.6	16.9		
Net Profit	7,097	8,229	7,757	8,596	(8.5)	(4.3)
EPS (Rs/share)	41.5	48.2	45.4	50.3	(8.5)	(4.3)

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: We expect automotive revenues to grow by 9% CAGR over FY2021-24E aided by growth in automotive replacement segment  
Revenue breakdown, March fiscal year-ends, 2012-24E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Volume sold (mn units)</b>													
Four-wheeler OEM	2	2	2	2	2	2	2	3	2	2	3	3	3
Yoy chg (%)	17.8	2.0	(2.0)	7.0	13.0	12.5	10.9	12.0	(18.0)	(3.0)	30.0	15.0	10.0
Four-wheeler replacement	3	3	4	4	5	6	6	7	8	8	9	10	10
Yoy chg (%)	20.0	20.0	15.0	15.0	15.0	12.0	10.0	12.0	10.0	8.0	8.0	8.0	8.0
<b>Total four-wheeler volumes</b>	<b>4.3</b>	<b>4.9</b>	<b>5.3</b>	<b>6.0</b>	<b>6.9</b>	<b>7.7</b>	<b>8.5</b>	<b>9.5</b>	<b>9.8</b>	<b>10.3</b>	<b>11.6</b>	<b>12.7</b>	<b>13.8</b>
Yoy chg (%)	19.2	13.6	9.6	12.7	14.5	12.1	10.2	12.0	2.4	5.6	12.4	9.6	8.5
<b>Replacement/OEM (X)</b>													
Two-wheeler OEM	—	—	1	2	2	2	3	3	3	3	4	4	4
Two-wheeler replacement	2	3	4	5	6	7	8	10	11	12	13	14	15
Yoy chg (%)	11.1	37.0	30.0	36.0	20.0	20.0	15.0	20.0	18.0	5.0	8.0	8.0	8.0
<b>Total two-wheeler volumes</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>19</b>
Yoy chg (%)	11.1	37.0	62.8	46.7	21.3	17.9	17.5	16.2	10.4	6.9	9.5	8.4	8.0
<b>Total automotive volumes</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>13</b>	<b>15</b>	<b>17</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>28</b>	<b>31</b>	<b>33</b>
Yoy chg (%)	16.5	21.1	28.8	28.2	18.0	15.2	14.2	14.4	7.0	6.4	10.6	8.9	8.2
<b>Revenue break-up (Rs mn)</b>													
Four-wheeler OEM	2,942	3,151	3,304	3,924	4,301	4,984	5,466	6,057	4,719	4,531	5,891	6,774	7,452
Four-wheeler replacement	8,528	11,053	13,346	15,348	16,768	19,156	20,355	22,777	25,055	27,059	29,516	31,877	34,427
<b>Total four-wheeler</b>	<b>11,470</b>	<b>14,203</b>	<b>16,650</b>	<b>19,272</b>	<b>21,069</b>	<b>24,139</b>	<b>25,821</b>	<b>28,834</b>	<b>29,773</b>	<b>31,590</b>	<b>35,406</b>	<b>38,651</b>	<b>41,879</b>
Two-wheeler OEM	—	—	489	1,026	1,244	1,435	1,774	1,860	1,537	1,750	2,013	2,214	2,391
Two-wheeler replacement	1,260	1,813	2,710	3,796	4,418	5,514	6,271	7,519	8,872	9,316	10,162	10,975	11,853
<b>Total two-wheeler</b>	<b>1,260</b>	<b>1,813</b>	<b>3,199</b>	<b>4,822</b>	<b>5,662</b>	<b>6,949</b>	<b>8,045</b>	<b>9,379</b>	<b>10,410</b>	<b>11,066</b>	<b>12,175</b>	<b>13,189</b>	<b>14,244</b>
<b>Automotive</b>	<b>12,730</b>	<b>16,016</b>	<b>19,849</b>	<b>24,094</b>	<b>26,731</b>	<b>31,088</b>	<b>33,866</b>	<b>38,213</b>	<b>40,183</b>	<b>42,656</b>	<b>47,581</b>	<b>51,840</b>	<b>56,123</b>
Yoy chg (%)	22.9	25.8	23.9	21.4	10.9	16.3	8.9	12.8	5.2	6.2	11.5	9.0	8.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Amara Raja plans to expand 2W automotive capacity over FY2022-23E

Capacity across different segments, March fiscal year-ends, 2012-24E (mn units)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Capacity (mn units)</b>													
Four-wheeler	5.6	5.6	6.0	6.0	8.3	8.3	10.5	10.5	12.0	14.0	14.0	14.0	14.0
Two-wheeler	4.8	4.8	4.8	8.4	11.0	11.0	14.0	14.0	17.0	20.0	21.0	23.0	23.0
Medium VLRA	1.8	1.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Large VLRA (mn amp hr)	900	900	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Tubular batteries (home UPS)						1.0	1.1	1.3	1.3	1.7	1.7	1.7	1.7
<b>Volume sold (mn units)</b>													
Four-wheeler OEM	1.5	1.6	1.5	1.6	1.8	2.1	2.3	2.6	2.1	2.0	2.7	3.1	3.4
Four-wheeler replacement	2.8	3.3	3.8	4.4	5.0	5.6	6.2	7.0	7.6	8.3	8.9	9.6	10.4
<b>Total four-wheeler volumes</b>	<b>4.3</b>	<b>4.9</b>	<b>5.3</b>	<b>6.0</b>	<b>6.9</b>	<b>7.7</b>	<b>8.5</b>	<b>9.5</b>	<b>9.8</b>	<b>10.3</b>	<b>11.6</b>	<b>12.7</b>	<b>13.8</b>
Two-wheeler OEM	—	—	0.9	1.7	2.1	2.4	3.0	3.2	2.7	3.2	3.6	4.0	4.3
Two-wheeler replacement	2.0	2.7	3.6	4.8	5.8	7.0	8.0	9.6	11.4	11.9	12.9	13.9	15.0
<b>Total two-wheeler volumes</b>	<b>2.0</b>	<b>2.7</b>	<b>4.5</b>	<b>6.5</b>	<b>7.9</b>	<b>9.4</b>	<b>11.0</b>	<b>12.8</b>	<b>14.1</b>	<b>15.1</b>	<b>16.5</b>	<b>17.9</b>	<b>19.3</b>
<b>Capacity utilization (%)</b>													
Four-wheeler	76.4	86.8	88.8	100.1	83.3	93.4	80.9	90.6	81.3	73.6	82.7	90.6	98.3
Two-wheeler	41.7	57.1	93.0	77.9	72.2	85.1	78.6	91.3	83.0	75.4	78.6	77.8	84.1

Source: Company, Kotak Institutional Equities estimates

## Exhibit 7: We expect the company to deliver 13% EPS CAGR over FY2021-24E

Profit model, balance sheet and cash flow statement, March fiscal year-ends, 2012-24E(Rs mn)

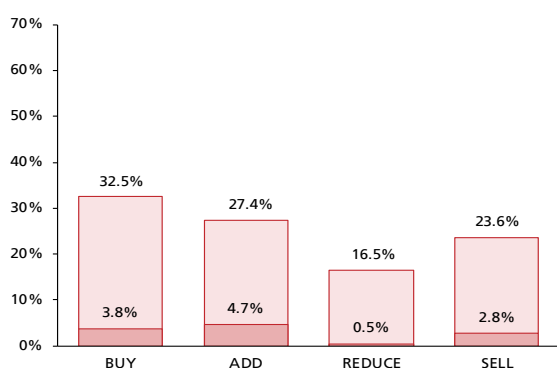
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Profit model (Rs mn)</b>													
Net sales	23,645	29,614	34,367	42,113	46,178	53,172	60,592	67,931	68,395	71,497	81,736	89,500	97,504
<b>EBITDA</b>	<b>3,396</b>	<b>4,515</b>	<b>5,603</b>	<b>7,018</b>	<b>8,230</b>	<b>8,499</b>	<b>8,832</b>	<b>9,518</b>	<b>10,986</b>	<b>11,157</b>	<b>12,420</b>	<b>13,988</b>	<b>15,601</b>
Other income	280	466	455	423	459	492	664	468	551	874	887	1,193	1,499
Interest	(24)	(10)	(7)	(2)	(55)	(55)	(51)	(70)	(122)	(105)	(60)	—	—
Depreciation	(465)	(661)	(646)	(1,340)	(1,407)	(1,912)	(2,303)	(2,612)	(3,007)	(3,192)	(3,664)	(4,069)	(4,452)
<b>Profit before tax</b>	<b>3,186</b>	<b>4,310</b>	<b>5,406</b>	<b>6,099</b>	<b>7,226</b>	<b>7,025</b>	<b>7,142</b>	<b>7,304</b>	<b>8,407</b>	<b>8,733</b>	<b>9,582</b>	<b>11,111</b>	<b>12,648</b>
Tax expense	(1,036)	(1,351)	(1,692)	(1,990)	(2,310)	(2,237)	(2,429)	(2,469)	(1,799)	(2,265)	(2,485)	(2,882)	(3,281)
<b>Adjusted net profit</b>	<b>2,151</b>	<b>2,867</b>	<b>3,674</b>	<b>4,109</b>	<b>4,916</b>	<b>4,785</b>	<b>4,713</b>	<b>4,835</b>	<b>6,608</b>	<b>6,468</b>	<b>7,097</b>	<b>8,229</b>	<b>9,367</b>
<b>Earnings per share (Rs)</b>	<b>12.6</b>	<b>16.8</b>	<b>21.5</b>	<b>24.1</b>	<b>28.8</b>	<b>28.0</b>	<b>27.6</b>	<b>28.3</b>	<b>38.7</b>	<b>37.9</b>	<b>41.5</b>	<b>48.2</b>	<b>54.8</b>
<b>Balance sheet (Rs mn)</b>													
Equity	8,235	10,598	13,627	16,996	21,159	25,931	29,374	33,353	36,556	42,103	47,425	53,597	60,623
Total borrowings	855	881	857	759	741	725	635	584	343	234	234	234	234
Deferred tax liability	220	195	301	368	538	815	878	959	441	407	407	407	407
Current liabilities	4,206	6,030	6,609	5,757	7,070	8,375	10,798	10,063	12,665	15,227	15,600	16,344	17,112
<b>Total liabilities</b>	<b>13,515</b>	<b>17,705</b>	<b>21,394</b>	<b>23,881</b>	<b>29,508</b>	<b>35,846</b>	<b>41,686</b>	<b>44,959</b>	<b>50,006</b>	<b>57,971</b>	<b>63,666</b>	<b>70,583</b>	<b>78,376</b>
Net fixed assets	3,861	4,618	7,679	10,304	14,749	17,324	19,296	21,275	24,778	28,540	29,376	29,807	29,355
Investments	161	161	161	161	200	1,467	351	205	1,562	2,805	3,005	3,205	5,205
Cash	2,292	4,108	2,946	2,222	1,503	1,709	1,113	718	845	1,758	5,426	9,556	13,578
Other current assets	7,202	8,818	10,609	11,194	13,057	15,346	20,925	22,762	22,822	24,867	25,859	28,014	30,237
<b>Total assets</b>	<b>13,515</b>	<b>17,705</b>	<b>21,394</b>	<b>23,881</b>	<b>29,508</b>	<b>35,846</b>	<b>41,686</b>	<b>44,959</b>	<b>50,006</b>	<b>57,971</b>	<b>63,666</b>	<b>70,583</b>	<b>78,376</b>
<b>Free cash flow (Rs mn)</b>													
Operating cash flow excl. working cap. changes	2,865	3,448	4,103	5,358	6,279	6,666	6,666	7,257	8,877	9,321	9,934	11,106	12,320
Working capital change	120	(94)	(1,315)	(1,475)	(732)	(1,137)	(3,450)	(1,843)	2,892	(1,301)	(619)	(1,411)	(1,456)
Capital expenditure	(809)	(1,463)	(3,731)	(3,985)	(4,904)	(4,305)	(3,853)	(5,282)	(6,999)	(4,964)	(4,500)	(4,500)	(4,000)
<b>Free cash flow</b>	<b>2,176</b>	<b>1,892</b>	<b>(943)</b>	<b>(102)</b>	<b>643</b>	<b>1,224</b>	<b>(637)</b>	<b>131</b>	<b>4,770</b>	<b>3,057</b>	<b>4,815</b>	<b>5,195</b>	<b>6,865</b>
<b>Ratios</b>													
Gross margin (%)	32.0	32.6	33.6	34.1	37.0	34.4	32.1	31.6	35.0	33.6	33.0	33.3	33.5
<b>EBITDA margin (%)</b>	<b>14.4</b>	<b>15.2</b>	<b>16.3</b>	<b>16.7</b>	<b>17.8</b>	<b>16.0</b>	<b>14.6</b>	<b>14.0</b>	<b>16.1</b>	<b>15.6</b>	<b>15.2</b>	<b>15.6</b>	<b>16.0</b>
PAT margin (%)	9.1	9.7	10.7	9.8	10.6	9.0	7.8	7.1	9.7	9.0	8.7	9.2	9.6
Book value (Rs/share)	48.2	62.0	79.8	99.5	123.9	151.8	172.0	195.3	214.0	246.5	277.6	313.8	354.9
RoAE (%)	29.3	30.4	30.3	26.8	25.8	20.3	17.0	15.4	18.9	16.4	15.9	16.3	16.4
<b>RoACE (%)</b>	<b>26.5</b>	<b>28.8</b>	<b>28.6</b>	<b>26.0</b>	<b>25.1</b>	<b>19.9</b>	<b>17.3</b>	<b>15.7</b>	<b>16.5</b>	<b>15.5</b>	<b>14.9</b>	<b>15.2</b>	<b>15.3</b>

Source: Company, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Hitesh Goel, Rishi Vora."

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

\* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2020 Kotak Institutional Equities Investment Research had investment ratings on 212 equity securities.

Source: Kotak Institutional Equities

As of March 31, 2021

**Ratings and other definitions/identifiers**

**Definitions of ratings**

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

**Other definitions**

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

**Other ratings/identifiers**

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

## Corporate Office

Kotak Securities Ltd.  
27 BKC, Plot No. C-27, "G Block"  
Bandra Kurla Complex, Bandra (E)  
Mumbai 400 051, India  
Tel: +91-22-43360000

## Overseas Affiliates

Kotak Mahindra (UK) Ltd  
8th Floor, Portoken House  
155-157 Minorities  
London EC3N 1LS  
Tel: +44-20-7977-6900

Kotak Mahindra Inc  
369 Lexington Avenue  
28th Floor, New York  
NY 10017, USA  
Tel: +1 212 600 8856

Copyright 2021 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

1. Note that the research analysts contributing to this report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.
3. Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc at [vinay.goenka@kotak.com](mailto:vinay.goenka@kotak.com).

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis / report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis / report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions - including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us

Details of Associates are available on website i.e. [www.kotak.com](http://www.kotak.com)

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months. YES. Visit our website for more details

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: Amara Raja Batteries - YES

Nature of Financial interest: Holding equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at <https://www.moneycontrol.com/india/stockpricequote/> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: [www.kotak.com](http://www.kotak.com) / [www.kotaksecurities.com](http://www.kotaksecurities.com). Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No. INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX). Member Id: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262. AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com). Investments in securities market are subject to market risks, read all the related documents carefully before investing.

In case you require any clarification or have any concern, kindly write to us at below email ids:

Level 1: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at [ks.demat@kotak.com](mailto:ks.demat@kotak.com) or call us on: Toll free numbers 18002099191 / 1860 266 9191

Level 2: If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at [ks.escalation@kotak.com](mailto:ks.escalation@kotak.com) or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at [ks.servicehead@kotak.com](mailto:ks.servicehead@kotak.com) or call us on 022-42858208.

Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Mr. Manoj Agarwal) at [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com) or call on 91- (022) 4285 8484.

Level 4: If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach Managing Director / CEO (Mr. Jaideep Hansraj) at [ceo.ks@kotak.com](mailto:ceo.ks@kotak.com) or call on 91-(022) 4285 8301.

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject. There could be variance between the First cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability for the contents of the First Cut Notes.