

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	1,030
12 month price target (INR)	1,180
52 Week High/Low	1,776/805
Market cap (INR bn/USD bn)	192/2.2
Free float (%)	67.0
Avg. daily value traded (INR mn)	741.6

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	32.86%	32.86%	32.86%
FII	20.71%	21.82%	22.33%
DII	14.59%	14.81%	15.36%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

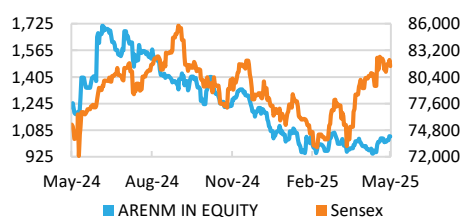
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	112,603	124,049	136,800	149,624
EBITDA	16,214	16,291	18,543	20,655
Adjusted profit	9,059	8,528	10,257	11,431
Diluted EPS (INR)	49.5	46.6	56.0	62.5
EPS growth (%)	8.1	(5.9)	20.3	11.4
RoAE (%)	14.2	12.1	13.3	13.5
P/E (x)	20.8	22.1	18.4	16.5
EV/EBITDA (x)	10.8	10.8	9.8	9.1
Dividend yield (%)	0.5	1.0	1.6	1.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	136,800	149,624	0	1
EBITDA	18,543	20,655	-7	-5
Adjusted profit	10,257	11,431	-1	1
Diluted EPS (INR)	56.0	62.5	-1	1

PRICE PERFORMANCE



Q4 EBITDA miss; augmenting EV focus

Q4 core revenue grew 6% to INR29.7bn (estimate: INR29.6bn) led by auto and UPS segment growth. EBITDA fell 16% to INR3.4bn (estimate: INR3.9bn), below estimate on a rise in antimony prices, power costs. Factoring in higher cost assumption, we are cutting FY26E/27E EBITDA by 7%/5%. We are building FY25–27E revenue/EPS CAGR at 10%/16%.

Amara Raja is doubling down on EVs with lithium cell plants for NMC/LFP chemistries and operations commencing by FY27E versus FY26E earlier. These efforts improve long-term growth visibility. Retain 'BUY' with a TP of INR1,180 (from INR1,230) based on 15x FY27E EPS for the lead acid battery business, 1x P/B for the lithium business and INR62/share for value of other investments.

Q4FY25 EBITDA misses estimates

Revenue grew 6% YoY to INR29.7bn (our estimate: INR29.6bn), driven by growth in automotive and UPS applications. Gross margin contracted 220bp YoY/80bp QoQ to 32.3%. In comparison, Exide had reported 180bp YoY contraction in gross margin. EBITDA dipped 16% to INR3.4bn (estimate: INR3.9bn), below estimates owing to a surge in antimony prices and power cost. EBITDA margin contracted 310bp to 11.5%. Other income fell 29% to INR200mn. All in all, PAT dipped 27% to INR1.7bn (estimate: INR2.1bn), below estimates primarily led by lower operating profit.

Stable growth likely in core business (lead acid batteries)

We are building in a 10% revenue CAGR for the core lead acid batteries business over FY25–27E on the back of growth in the auto and industrial segments. We forecast auto revenue CAGR would be 10% driven by the underlying OEM industry and stable replacement demand. The revenue CAGR of the industrial segment shall be 8%—likely driven by categories such as UPS, traction and solar/power segments.

Augmenting focus on EVs

Amara Raja has started assembling lithium battery packs and manufacturing chargers. It is supplying battery packs to customers in the 2W, 3W and industrial segments (Piaggio, Mahindra 3W, Omega SEKI, Indus Towers and BSNL). On lithium cell manufacturing, commencement of Phase 1 of the Gigafactory has been delayed to Q3FY27E compared with the earlier target of FY26E. The company plans to come with multiple chemistries targeting both auto and non-auto segments. The plan is to expand capacity to 16GWH at an aggregate investment of INR95bn by FY30E. Furthermore, to sharpen its focus on the new energy business, Amara Raja has invested in start-ups such as Log9 and Inobat.

Financials

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net Revenue	29,739	27,967	6.3	31,640	-6.0
EBITDA	3,422	4,077	-16.1	4,158	-17.7
Adjusted Profit	1,668	2,280	-26.8	2,333	-28.5
Diluted EPS (INR)	9.1	12.5	-26.8	12.7	-28.5

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	112,603	124,049	136,800	149,624
Gross profit	37,262	39,978	45,144	49,376
Employee costs	6,994	7,468	8,167	8,858
Other expenses	14,053	16,220	18,434	19,863
EBITDA	16,214	16,291	18,543	20,655
Depreciation	4,787	4,921	5,140	5,392
Less: Interest expense	332	422	555	774
Add: Other income	1,015	933	864	792
Profit before tax	12,110	11,881	13,712	15,282
Prov for tax	3,052	3,353	3,456	3,851
Less: Other adj	0	0	0	0
Reported profit	9,059	8,528	10,257	11,431
Less: Excp.item (net)	0	0	0	0
Adjusted profit	9,059	8,528	10,257	11,431
Diluted shares o/s	183	183	183	183
Adjusted diluted EPS	49.5	46.6	56.0	62.5
DPS (INR)	5.1	10.5	16.8	18.7
Tax rate (%)	25.2	28.2	25.2	25.2

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross profit margin (%)	33.1	32.2	33.0	33.0
Staff cost % sales	6.2	6.0	6.0	5.9
Other expenses % sales	12.5	13.1	13.5	13.3
EBITDA margin (%)	14.4	13.1	13.6	13.8
Net profit margin (%)	8.0	6.9	7.5	7.6
Revenue growth (% YoY)	8.3	10.2	10.3	9.4
EBITDA growth (% YoY)	12.7	0.5	13.8	11.4
Adj. profit growth (%)	15.8	(5.9)	20.3	11.4

Assumptions (INRmn)

Year to March	FY24A	FY25A	FY26E	FY27E
Auto OEM	12,528	14,064	14,997	15,937
Auto Aftermarket	63,451	74,087	82,444	90,987
Industrial	35,386	33,811	36,663	39,596
Others	1,238	2,087	2,696	3,103

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	20.8	22.1	18.4	16.5
Price/BV (x)	2.8	2.6	2.3	2.1
EV/EBITDA (x)	10.8	10.8	9.8	9.1
Dividend yield (%)	0.5	1.0	1.6	1.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	183	183	183	183
Reserves	67,504	73,600	80,779	88,781
Shareholders funds	67,687	73,783	80,962	88,964
Minority interest	0	0	0	0
Borrowings	533	1,445	6,435	11,415
Trade payables	16,315	20,467	19,864	21,726
Other liabs & prov	3,808	4,236	3,915	4,074
Total liabilities	88,343	99,930	111,176	126,179
Net block	26,447	25,861	24,490	22,856
Intangible assets	4,776	4,606	4,837	5,078
Capital WIP	3,217	8,441	8,441	8,441
Total fixed assets	34,440	38,908	37,768	36,375
Non current inv	14,791	19,979	29,979	44,979
Cash/cash equivalent	1,045	1,653	1,450	374
Sundry debtors	10,171	11,428	11,853	12,144
Loans & advances	3,916	1,901	1,901	1,901
Other assets	19,701	21,781	23,945	26,125
Total assets	88,343	99,930	111,176	126,179

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	11,095	10,948	12,848	14,490
Add: Depreciation	4,787	4,921	5,140	5,392
Interest (net of tax)	332	422	555	774
Others	(110)	(25)	(72)	(72)
Less: Changes in WC	2,419	3,257	(3,513)	(450)
Operating cash flow	15,234	16,240	11,503	16,282
Less: Capex	(4,282)	(9,389)	(4,000)	(4,000)
Free cash flow	10,952	6,851	7,503	12,282

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	14.2	12.1	13.3	13.5
RoCE (%)	19.2	17.2	17.5	17.1
Inventory days	84	83	85	86
Receivable days	29	32	31	29
Payable days	75	80	80	76
Working cap (% sales)	12.9	9.0	10.7	10.1
Gross debt/equity (x)	0	0	0.1	0.1
Net debt/equity (x)	0	0	0.1	0.1
Interest coverage (x)	37.5	29.1	25.7	20.8

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	8.1	(5.9)	20.3	11.4
RoE (%)	14.2	12.1	13.3	13.5
EBITDA growth (%)	12.7	0.5	13.8	11.4
Payout ratio (%)	10.3	22.5	30.0	30.0

Q4FY25 conference call: Key takeaways

Lead acid battery business (LAB)

- **Industry outlook:** The Indian LAB market is likely to grow to USD5.8bn by FY30E, up from USD4.6bn in FY25, implying a modest CAGR of 5%. Globally, the market is projected to grow at a CAGR of 4% over FY25–30E, reaching USD61.2bn by FY30E, compared with USD49.4bn in FY25.
- **Margin outlook:** Margins were under pressure in FY25, primarily due to a surge in alloy prices, particularly antimony and higher power costs driven by regulatory changes in solar power settlements and fuel surcharges. Management expects margin pressure to persist in H1FY26E; however, this is likely to be partially offset by the recent 2% price hike in the aftermarket segment taken in Apr-25 and the reinstatement of the tubular battery plant.
- **Q4FY25 volume performance:** i) In the **4W segment**, OEM volumes expanded 15% YoY, replacement increased 9% while exports fell 3%. The decline in exports was hurt by muted demand from western geographies and a slowdown in the Asia-Pacific region. ii) In the **2W segment**, volumes grew 13%, driven by healthy growth in both OEM and replacement categories. iii) Overall **industrial** performance remained muted, with a 15% decline in the telecom segment, partially offset by a 15% growth in UPS segment.
- **Trading business:** The revenue share from the trading business currently stands at ~15%. With the reinstatement of the tubular battery plant, reliance on third-party batteries for trading will be eliminated.
- **Tubular battery plant:** Reinstatement of the tubular battery plant at Chittoor is currently underway, with commercial production likely to begin in Jun-25. The plant will have an annual capacity of over 1.5mn batteries.
- **Battery recycling plant:** Phase I of the recycling plant at Cheyyar, Tamil Nadu, has commenced commercial production in Dec-24. This phase includes a refinery capacity of 50,000MTPA, with plans to scale up to 100,000MTPA. Battery breaking operations are likely to begin in Q2FY26.
- **Capacity efficiency:** During FY25, the company implemented a throughput enhancement programme focused on improving cycle times, reducing downtime, and eliminating speed losses in production. As a result, automotive battery capacity increased to 66mn units (from 59mn), and industrial battery capacity rose to 3.2bn Ah (from 3.1bn Ah), without significant capex spend. This program is likely to support return ratios going forward.

New energy business (NEB)

- **Industry outlook:** The Indian lithium-ion battery (LiB) market is likely to grow multi-fold to USD100bn-plus by FY30E, up from ~USD10bn in FY25, implying a robust CAGR of over 58%. By FY30E, demand is projected to be driven primarily by the automotive segment, accounting for 80–85%, with the remaining 15–20% coming from the stationary segment. Estimated EV penetration by segment in FY30E – 3W: 60-65%, 2W: 35-40%, PV: 10-15%, and CV: 7-10%
- **Q4FY25 performance:** The business reported healthy growth in Q4FY25, driven by increased supply of EV batteries to the telecom segment. Overall, including revenues from chargers and battery packs supplied to both the EV and Energy Storage Systems (ESS) segments, the business recorded ~35% revenue growth YoY. However, E-3W battery volumes remained muted, reflecting subdued demand from specific customer segments.

- **Giga cell plant update:** The commencement of Phase 1 operations has been delayed to Q3FY27, compared with the earlier target of FY26E. This phase will include a cylindrical cell capacity of 4GWh, incorporating both NMC and LFP chemistries. Additional capacity will be added in a phased manner, with the goal of reaching the planned capacity of 16GWh by FY30E.
- **Investment in ARCT:** Amara has invested a total of INR8.5bn to date in its subsidiary, ARCT, of which INR3.5bn has been utilised for setting up facilities. In FY26E, the company plans to invest an additional INR10bn.

Others

- **Capex:** Total capex for FY25 stood at INR12bn, majority of which was allocated to LAB. Of this, INR8bn was spent on LAB, with INR4bn directed toward the reinstatement of the tubular battery facility. Under NEB, INR4bn was invested in setting up the customer qualification plant, research lab, and land development for the Gigafactory.

Exhibit 1: Change in estimates: Trimming FY26E/27E EBITDA by 7%/5% factoring higher costs assumptions

INR mn	Old estimates		New estimates		Variance (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenues	136,829	148,709	136,800	149,624	0	1
EBITDA	19,867	21,741	18,543	20,655	-7	-5
Adjusted Profit	10,349	11,303	10,257	11,431	-1	1
Diluted EPS (INR)	56.5	61.8	56.0	62.5	-1	1

Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Core business revenue CAGR at 10% over FY25-27E

Revenues (INR mn)	FY24	FY25A	FY26E	FY27E	CAGR % FY25-27E
Automotive (2W & 4W)	75,979	88,151	97,441	106,925	10
growth (%)	12	16	11	10	
-OEM	12,528	14,064	14,997	15,937	6
growth (%)	8	12	7	6	
-Aftermarket	63,451	74,087	82,444	90,987	11
growth (%)	12	17	11	10	
Industrial	35,386	33,811	36,663	39,596	8
growth (%)	8	(4)	8	8	
Others	1,238	2,087	2,696	3,103	22
growth (%)	(59)	69	29	15	
Total Revenue	112,603	124,049	136,800	149,624	10
growth (%)	8	10	10	9	

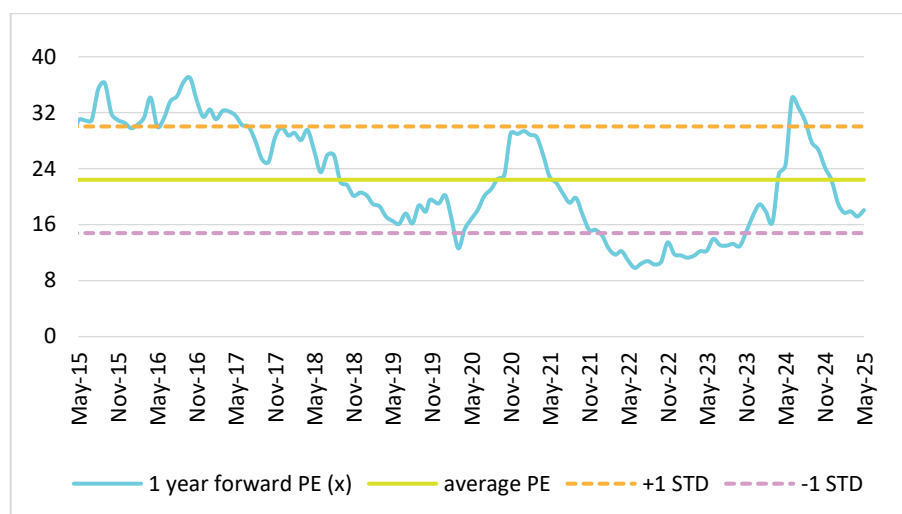
Source: Company, Nuvama Research

Exhibit 3: SotP at INR1,180/share

	Basis of Valuation	Equity value (INR bn)	Equity value/share (INR)
Core business (lead acid batteries)	15x FY27E EPS	171	937
Value of investments			
Lithium batteries (100% stake)	1x P/B	34	183
Other investments	1x P/B (20% holdco discount)	11	62
Total			1,182
Total (Rounded off)			1,180

Source: Nuvama Research

Exhibit 4: One year forward PE; 10-year average at 22x



Source: Bloomberg, Nuvama Research

Exhibit 5: Quarterly snapshot (Standalone INR mn); EBITDA misses estimates

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net revenues	29,739	27,967	6.3	31,640	(6.0)
Raw material	20,132	18,314	9.9	21,164	(4.9)
Staff costs	1,801	1,629	10.5	1,912	(5.8)
Other expenses	4,383	3,947	11.1	4,406	(0.5)
Total expenditure	26,316	23,890	10.2	27,482	(4.2)
EBITDA	3,422	4,077	(16.1)	4,158	(17.7)
Depreciation	1,284	1,210	6.1	1,233	4.1
EBIT	2,138	2,867	(25.4)	2,925	(26.9)
Less: Interest Expense	95	97	(2.5)	107	(10.9)
Add: Other income	200	283	(29.4)	293	(31.6)
Profit before tax	2,244	3,053	(26.5)	3,111	(27.9)
Less: Provision for Tax	576	773	(25.6)	778	(26.0)
Add: Exceptional items/Extraordinary item	0	0		785	(100.0)
Reported Profit	1,668	2,280	(26.8)	3,118	(46.5)
Adjusted Profit	1,668	2,280	(26.8)	2,333	(28.5)
No. of Diluted shares outstanding	183	183		183	
Adjusted Diluted EPS	9.1	12.5	(26.8)	12.7	(28.5)
As a % revenues					
Year to March	Q4FY25	Q4FY24	bps change (YoY)	Q3FY25	bps change (QoQ)
Gross margins	32.3	34.5	(221)	33.1	(81)
Raw material	67.7	65.5	221	66.9	81
Staff costs	6.1	5.8	23	6.0	1
Other expenses	14.7	14.1	63	13.9	82
EBIDTA	11.5	14.6	(307)	13.1	(163)
Adjusted net profit	5.6	8.2	(254)	7.4	(176)
Tax rate (% PBT)	25.7	25.3	33	25.0	65

Source: Company, Nuvama Research

Company Description

AMRJ is the second-largest automotive battery manufacturer and the largest supplier of industrial storage batteries in India. It has been promoted by the Galla family with 33% stake. The company has been a technology leader in the Indian market, having introduced valve-regulated lead acid (VRLA) batteries for the first time for industrial applications and two-wheelers. In the automotive segment too, AMRJ was the first to introduce batteries with five-year warranties and zero maintenance fully charged batteries. Its business model is de-risked as it caters to automotive as well as industrial segments. Sales are well diversified among automotive and industrial segments. AMRJ has set up wholly owned subsidiary, Amara Raja Advanced Cell Technologies, under which it is in an advanced stage of setting up a multi-giga-watt-hour plant for manufacture of lithium-ion cells.

Investment Theme

Amara's core business revenue/EPS CAGR to 10%/16% over FY25–27E—fair for India's second-largest lead-acid battery manufacturer. Amara is doubling down on EVs, with lithium cell plants for NMC and LFP chemistries slated to come on stream in FY27E. These efforts improve long-term growth visibility.

We retain 'BUY' with TP of INR1,180, based on 15x FY27E EPS for core business, 1x P/B for lithium battery investments and INR62/share for other investments. Post tie-up with OEMs such as Ather Energy for lithium cell supplies, announcements of more OEM tie-ups should catalyse stock performance in the near-term.

Key Risks

- Slowdown in domestic OEM and replacement demand, leading to cut in revenue assumptions
- Slower growth in industrial demand, leading to cut in revenue assumptions
- Increased competitive intensity in lithium business leading to delays in utilization ramp-up, and margin pressures
- Sharp surge in input costs
- Changing battery technologies leading to fresh investments, and low IRR for existing investments

Additional Data

Management

Chairman & MD	Jayadev Galla
CFO	Kannan S
CTO	M Jagadish
COO	C Narasimhulu Naidu
Auditor	Brahmayya & Co; Deloitte Haskins & Sells

Holdings – Top 10*

	% Holding		% Holding
Nalanda Fund	8.76	BlackRock	1.10
LIC	6.31	Vanguard	1.05
Vanguard Group	2.95	Nippon Life	0.91
Franklin Resources	2.01	Norges Bank	0.82
Dimensional Fund	1.32	IDFC MF/India	0.75

*Latest public data

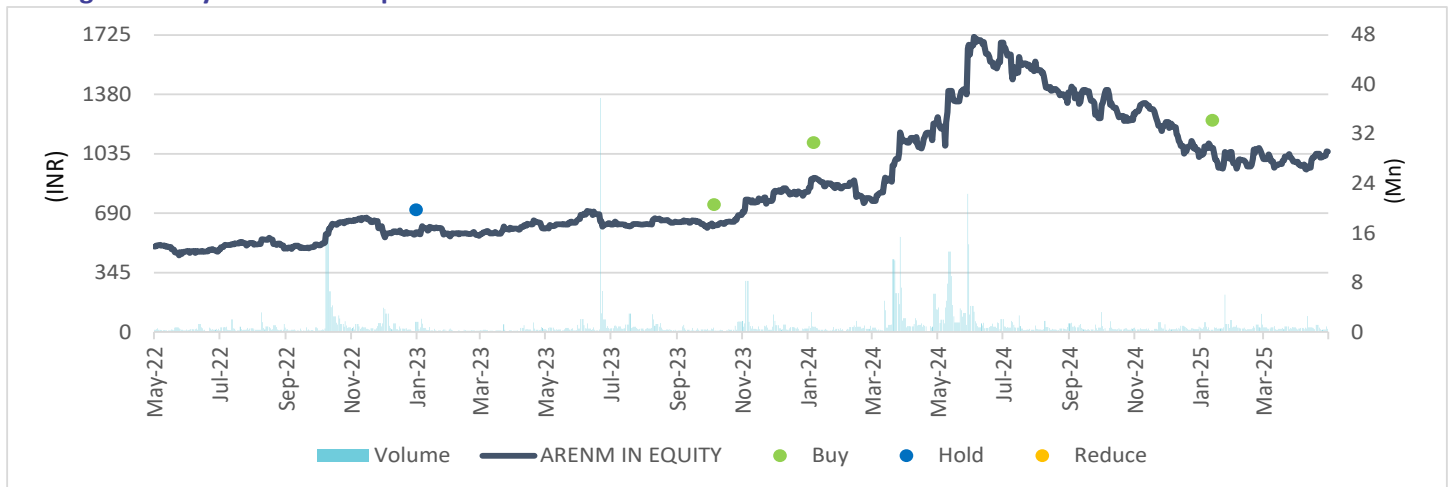
Recent Company Research

Date	Title	Price	Reco
08-Feb-25	EBITDA miss; lithium project on track; <i>Result Update</i>	1,069	Buy
04-Nov-24	Amara Raja Energy & Mobility (ARENM IN, ; <i>Result Update</i>	1,374.	Buy
05-Aug-24	Healthy Q1; augmenting focus on EVs; <i>Result Update</i>	1,508	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
30-May-25	Bajaj Auto	In-line performance; outlook intact; <i>Result Update</i>
29-May-25	Automobiles	Sticky slow lane: Outlook remains weak ; <i>Sector Update</i>
27-May-25	Automobiles	Robust growth likely in 2Ws; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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