

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	958
12 month price target (INR)	1,120
52 Week High/Low	1,610/805
Market cap (INR bn/USD bn)	175/2.0
Free float (%)	67.0
Avg. daily value traded (INR mn)	606.0

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	32.86%	32.86%	32.86%
FII	19.39%	20.71%	21.82%
DII	14.00%	14.59%	14.81%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

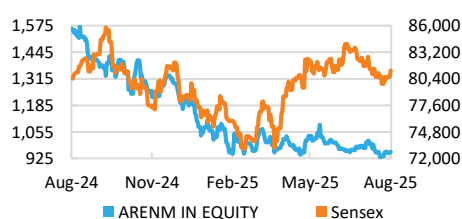
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	124,049	133,357	142,820	152,710
EBITDA	16,291	16,676	19,430	21,081
Adjusted profit	8,528	8,841	10,586	11,472
Diluted EPS (INR)	46.6	48.3	57.8	62.7
EPS growth (%)	(5.9)	3.7	19.7	8.4
RoAE (%)	12.1	11.5	12.7	12.6
P/E (x)	20.6	19.8	16.6	15.3
EV/EBITDA (x)	10.7	10.7	9.3	8.6
Dividend yield (%)	1.1	1.5	1.8	2.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	133,357	142,820	-3	-5
EBITDA	16,676	19,430	-10	-6
Adjusted profit	8,841	10,586	-14	-7
Diluted EPS (INR)	48.3	57.8	-14	-7

PRICE PERFORMANCE



Miss on EBITDA; augmenting EV focus

Q1FY26 revenue grew 7% YoY to INR33.5bn, slightly below estimate. Auto OEM, replacement, UPS and home inverters posted growth, whereas the Telecom and export segments faced contraction. EBITDA fell 10% YoY to INR3.9bn, below estimate of INR4.7bn, due to revenue miss, adverse mix owing to higher traded goods and increase in other costs. Factoring in lower growth in industrials/exports, higher traded mix and cost pressures, we are cutting FY26E/27E EBITDA by 10%/6%.

We are building in FY25–28E revenue/EPS CAGR of 7%/10%. Retain 'BUY' with a TP of INR1,120 (from INR1,180) based on 15x Sep-27E EPS (earlier Mar-27E) for the lead acid battery business, INR169/share for the lithium business at 1x P/B, and INR42/share for other investments.

Q1FY26 EBITDA undershoots estimate

Revenue grew 7% YoY to INR33.5bn (estimate: INR34.5bn), slightly below estimate due to lower revenue in the industrial and export segments. Auto OEM, replacement, UPS and home inverters posted growth, whereas Telecom and export segments declined. Gross margin contracted 170bp YoY/280bp QoQ to 29.5%; in comparison, Exide's gross margin expanded 20bp YoY. EBITDA decreased 10% YoY to INR3.9bn (estimate: INR4.7bn), below estimate due to revenue miss, adverse mix owing to higher traded goods and increase in other costs (input, power and warranty). EBITDA margin contracted 220bp YoY to 11.5%. PAT fell 21% YoY to INR1.9bn (estimate: INR2.7bn), primarily led by lower operating profit.

Stable growth likely in core business (lead acid batteries)

We are building in a 7% revenue CAGR for the core lead acid batteries business over FY25–28E on the back of growth in the auto and industrial segments. We forecast auto revenue CAGR would be 9% driven by the underlying OEM industry and stable replacement demand. The revenue CAGR of the industrial segment shall be 2%—likely driven by categories such as UPS, traction and solar/power segments.

Augmenting focus on EVs

Amara Raja has been supplying assembled 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 H2FY26 compared with the earlier target of FY26E. The company plans to come up with multiple chemistries targeting both the 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 Inobat.

Financials

Year to March	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Revenue	33,499	31,312	7.0	29,739	12.6
EBITDA	3,867	4,304	-10.2	3,422	13.0
Adjusted Profit	1,940	2,446	-20.7	1,668	16.3
Diluted EPS (INR)	10.6	13.4	-20.7	9.1	16.3

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	124,049	133,357	142,820	152,710
Gross profit	39,978	42,007	46,417	49,631
Employee costs	7,468	7,961	8,455	8,964
Other expenses	16,220	17,370	18,531	19,585
EBITDA	16,291	16,676	19,430	21,081
Depreciation	4,921	5,245	5,650	6,055
Less: Interest expense	422	476	420	420
Add: Other income	933	864	792	731
Profit before tax	11,881	11,820	14,153	15,337
Prov for tax	3,353	2,979	3,566	3,865
Less: Other adj	0	0	0	0
Reported profit	8,528	8,841	10,586	11,472
Less: Excp.item (net)	0	0	0	0
Adjusted profit	8,528	8,841	10,586	11,472
Diluted shares o/s	183	183	183	183
Adjusted diluted EPS	46.6	48.3	57.8	62.7
DPS (INR)	10.5	14.5	17.4	18.8
Tax rate (%)	28.2	25.2	25.2	25.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross profit margin (%)	32.2	31.5	32.5	32.5
Staff cost % sales	6.0	6.0	5.9	5.9
Other expenses % sales	13.1	13.0	13.0	12.8
EBITDA margin (%)	13.1	12.5	13.6	13.8
Net profit margin (%)	6.9	6.6	7.4	7.5
Revenue growth (% YoY)	10.2	7.5	7.1	6.9
EBITDA growth (% YoY)	0.5	2.4	16.5	8.5
Adj. profit growth (%)	(5.9)	3.7	19.7	8.4

Assumptions

Year to March	FY25A	FY26E	FY27E	FY28E
Auto OEM (INRmn)	14,064.1	15,372.2	16,579.4	17,614.5
Auto Aftermarket (INRmn)	74,086.7	81,380.6	88,281.2	95,588.9
Industrial (INRmn)	33,810.7	34,030.0	35,023.6	36,230.9
Others (INRmn)	2,087.1	2,574.0	2,936.2	3,276.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	20.6	19.8	16.6	15.3
Price/BV (x)	2.4	2.2	2.0	1.8
EV/EBITDA (x)	10.7	10.7	9.3	8.6
Dividend yield (%)	1.1	1.5	1.8	2.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	183	183	183	183
Reserves	73,600	79,788	87,199	95,229
Shareholders funds	73,783	79,971	87,382	95,412
Minority interest	0	0	0	0
Borrowings	1,445	5,445	5,435	5,425
Trade payables	20,467	19,364	20,738	22,174
Other liabs & prov	4,236	3,915	4,074	4,241
Total liabilities	99,930	108,695	117,629	127,253
Net block	25,861	25,385	24,494	23,185
Intangible assets	4,606	4,837	5,078	5,332
Capital WIP	8,441	8,441	8,441	8,441
Total fixed assets	38,908	38,663	38,013	36,958
Non current inv	19,979	28,355	37,355	46,355
Cash/cash equivalent	1,653	1,492	477	138
Sundry debtors	11,428	10,961	10,956	11,296
Loans & advances	1,901	1,901	1,901	1,901
Other assets	21,781	23,044	24,648	26,325
Total assets	99,930	108,695	117,629	127,253

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	10,948	10,955	13,360	14,606
Add: Depreciation	4,921	5,245	5,650	6,055
Interest (net of tax)	422	476	420	420
Others	(25)	(72)	(72)	(72)
Less: Changes in WC	3,257	(2,219)	(66)	(414)
Operating cash flow	16,240	11,406	15,726	16,730
Less: Capex	(9,389)	(5,000)	(5,000)	(5,000)
Free cash flow	6,851	6,406	10,726	11,730

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.1	11.5	12.7	12.6
RoCE (%)	17.2	15.3	16.4	16.3
Inventory days	83	84	85	85
Receivable days	32	31	28	27
Payable days	80	80	76	76
Working cap (% sales)	9.0	10.0	9.4	9.1
Gross debt/equity (x)	0	0.1	0.1	0.1
Net debt/equity (x)	0	0.1	0.1	0.1
Interest coverage (x)	29.1	25.9	34.7	37.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(5.9)	3.7	19.7	8.4
RoE (%)	12.1	11.5	12.7	12.6
EBITDA growth (%)	0.5	2.4	16.5	8.5
Payout ratio (%)	22.5	30.0	30.0	30.0

Q1FY26 conference call: Key takeaways

- **FY26 outlook:** Management expects the industrial UPS segment to grow at 5–6% YoY. In the auto replacement market, 4W demand is expected to rise by 6–7% and 2W by 10–11%. Export growth is likely to remain subdued in FY26. In the telecom segment, management aims to sustain market share.
- **Margin outlook:** Margin is expected to improve going forward due to: i) reduced trading share with the reinstatement of the tubular plant; ii) resolution of power cost-related issues; and iii) commencement of recycling at the new recycling plant.
- **Q1FY26 volume performance:** i) In the 4W segment, OEM volumes grew 12–13% YoY and replacement increased 5% YoY. Exports fell 7–8%. The decline in exports was driven by weakness in certain geographies; key markets such as APAC and the Middle East faced heightened competitive intensity due to tariff-related pressures. ii) In the 2W segment, volumes grew 5–6% YoY. iii) Overall industrial performance fell 3–4% YoY with a 30% decline in the telecom segment, partially offset by 15% YoY growth in the UPS segment. iv) The home inverter segment reported an increase of 3–4% YoY.
- **Q1FY26 margin was subdued** due to higher raw material costs, increased trading mix, rise in power costs and revised provisioning for warranty costs.
- **Tubular battery plant:** Initial commercial production commenced in Q1FY26, ramping up to full capacity by Q2FY26. The plant will have annual capacity of over 1.5mn-plus batteries.
- **Battery recycling plant:** Phase I of the recycling plant at Cheyyar, Tamil Nadu, has commenced commercial production in Dec-24. Battery breaking operations are expected to begin in Q3FY26.
- **Share of the telecom segment** in the lead-acid business is 6–7%.
- The company did not take any price hike in Q1FY26.
- Share of the unorganised sector is in the range of 10–15%.
- **GST changes:** Currently, lead-acid batteries attract a 28% GST rate, whereas lithium batteries fall under the 18% slab. Post-GST rationalisation, lead-acid batteries are expected to be aligned with the 18% slab, which would ease the working capital burden for the company.

New Energy Business (NEB)

- **Q1FY26 performance (Mobility):** Continued to gain momentum in the EV off-board charger segment post-completion of localisation of portable EV chargers for 2W and 3W vehicles. Furthermore, the company commercialised LFP packs for the 3W segment in Q1FY26.
- **Q1FY26 performance (stationary applications):** Deepened partnership with telecom players reflected in robust volume growth during the quarter. Telecom volume growth supported by 5G rollout.
- **Giga cell plant update:** The commencement of Phase 1 operations is expected in H2FY27. Initial capacity would be for NMC (21700 cells) for 1GWh, which may be expanded to 2 GWh. Also, further expansion to LFP will be considered.

- **The initial capacity** in the new energy business for NMC chemistry would be catering to 2Ws and power tools.
- **Raw materials** for the new energy business shall be sourced from China.
- **The company invested** INR3.5bn in Q1FY26, taking total investment in NEB to INR12bn.
- **Custom duty** on lithium cells is 5%.
- Amara is actively exploring the Battery-as-a-Service (BaaS) model and has set up a dedicated team to drive its implementation.

Others

- **Capex:** Total capex for FY26 is expected to be INR12–13bn. INR8–9bn will be allocated to the Lithium business, and INR4–5bn will be on the lead acid battery.

Exhibit 1: Changes in estimates

INR mn	Old estimates		New estimates		Variance (%)		Introducing:
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net revenues	136,800	149,624	133,357	142,820	-3	-5	152,710
EBITDA	18,543	20,655	16,676	19,430	-10	-6	21,081
Adjusted Profit	10,257	11,431	8,841	10,586	-14	-7	11,472
Diluted EPS (INR)	56.0	62.5	48.3	57.8	-14	-7	62.7

Source: Nuvama Research

Exhibit 2: Key revenue assumptions: 7% CAGR over FY25–27E

Revenues (INRmn)	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR % FY25-28E
Automotive (2W & 4W)	68,049	75,979	88,151	96,753	104,861	113,203	9
growth (%)	22	12	16	10	8	8	
-OEM	11,548	12,528	14,064	15,372	16,579	17,615	8
growth (%)	26	8	12	9	8	6	
-Aftermarket	56,501	63,451	74,087	81,381	88,281	95,589	9
growth (%)	21	12	17	10	8	8	
Industrial	32,829	35,386	33,811	34,030	35,024	36,231	2
growth (%)	16	8	(4)	1	3	3	
Others	3,057	1,238	2,087	2,574	2,936	3,276	16
growth (%)	15	(59)	69	23	14	12	
Total Revenue	103,935	112,603	124,049	133,357	142,820	152,710	7
growth (%)	19.5	8.3	10.2	7.5	7.1	6.9	

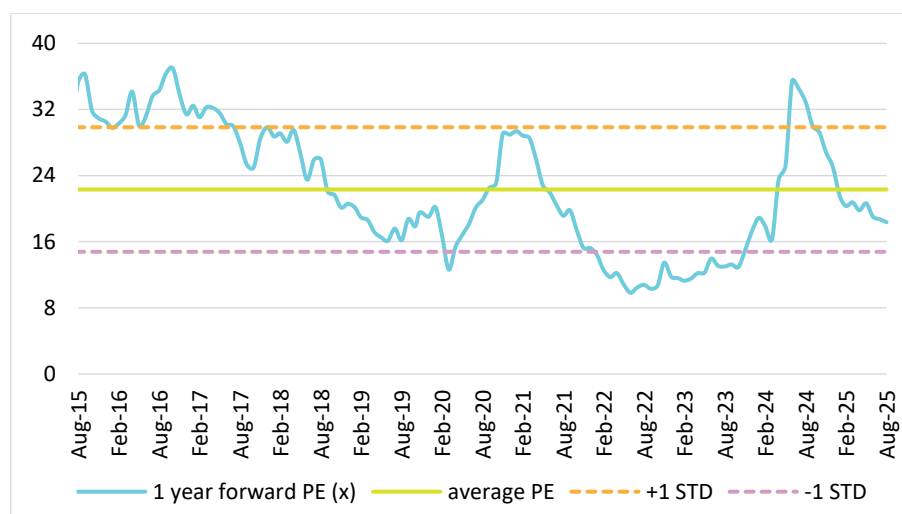
Source: Company, Nuvama Research

Exhibit 3: SotP of INR1,120/share

	Basis of Valuation	Equity value (INR bn)	Equity value/share (INR)
Core business (lead acid batteries)	15x Sep-27E EPS	165	904
Value of investments			
Lithium batteries (100% stake)	1x P/B	31	169
Other investments	1x P/B (20% holdco discount)	8	42
Total			1,116
Total (Rounded off)			1,120

Source: Nuvama Research

Exhibit 4: One-year forward P/E; ten-year average at 22x



Source: Bloomberg, Nuvama Research

Exhibit 5: Quarterly snapshot (standalone INR mn); EBITDA below estimate

Year to March	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net revenues	33,499	31,312	7.0	29,739	12.6
Raw material	23,629	21,563	9.6	20,132	17.4
Staff costs	1,976	1,856	6.5	1,801	9.7
Other expenses	4,028	3,590	12.2	4,383	(8.1)
Total expenditure	29,633	27,008	9.7	26,316	12.6
EBITDA	3,867	4,304	(10.2)	3,422	13.0
Depreciation	1,292	1,183	9.3	1,284	0.7
EBIT	2,574	3,121	(17.5)	2,138	20.4
Less: Interest Expense	104	90	15.4	95	9.1
Add: Other income	139	256	(45.4)	200	(30.4)
Profit before tax	2,610	3,287	(20.6)	2,244	16.3
Less: Provision for Tax	670	841	(20.3)	576	16.4
Add: Exceptional items/Extraordinary item	0	0		0	
Reported Profit	1,940	2,446	(20.7)	1,668	16.3
Adjusted Profit	1,940	2,446	(20.7)	1,668	16.3
No. of Diluted shares outstanding	183	183		183	
Adjusted Diluted EPS	10.6	13.4	(20.7)	9.1	16.3
As a % revenues					
Year to March	Q1FY26	Q1FY25	bps change (YoY)	Q4FY25	bps change (QoQ)
Gross margins	29.5	31.1	(167)	32.3	(284)
Raw material	70.5	68.9	167	67.7	284
Staff costs	5.9	5.9	(3)	6.1	(16)
Other expenses	12.0	11.5	56	14.7	(272)
EBIDTA	11.5	13.7	(220)	11.5	3
Adjusted net profit	5.8	7.8	(202)	5.6	18
Tax rate (% PBT)	25.7	25.6	8	25.7	2

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 7%/10% over FY25–28E—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 INR1,120, based on 15x Sep-27E EPS for core business, INR169/sh for the lithium business based on 1x P/B, and INR42/sh 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 & Managing Director	Jayadev Galla
CFO	Y Delli Babu
CTO	M Jagadish
COO	C Narasimhulu Naidu
Auditor	Brahmayya & Co & Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Nalanda Fund	8.76	Nippon Life AMC	0.92
Vanguard Group	2.43	IDFC MF/India	0.86
Franklin Resources	2.01	Norges Bank	0.82
Dimensional Fun	1.36	ICICI Pru	0.78
BlackRock Inc	1.10	Bajaj Allianz	0.71

*Latest public data

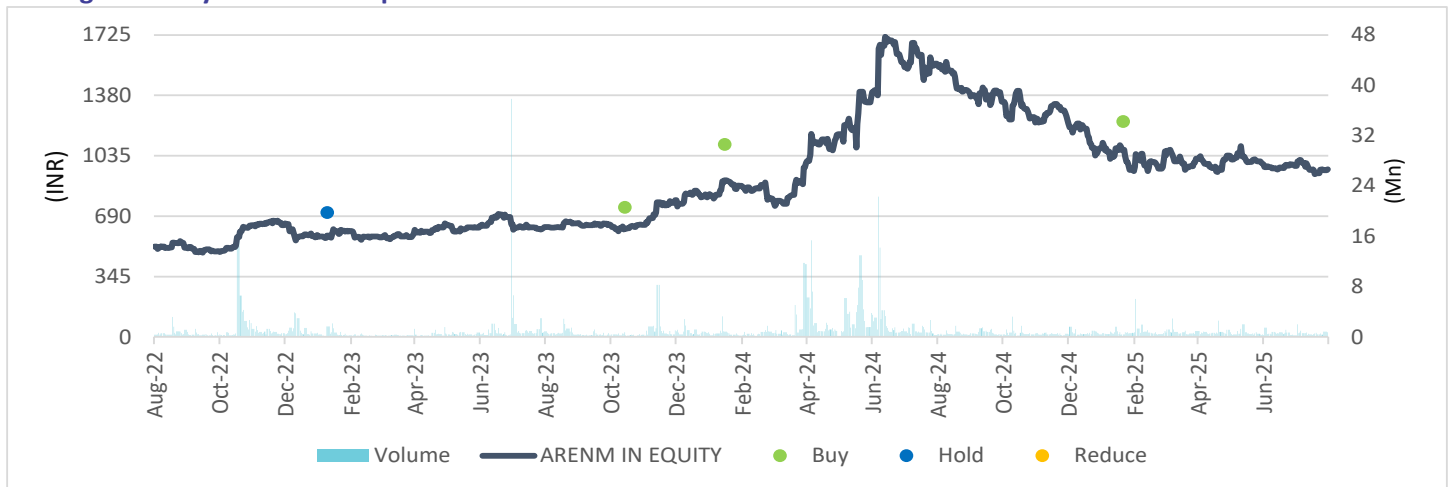
Recent Company Research

Date	Title	Price	Reco
30-May-25	Q4 EBITDA miss; augmenting EV focus ; <i>Result Update</i>	1,048	Buy
08-Feb-25	EBITDA miss; lithium project on track; <i>Result Update</i>	1,069	Buy
04-Nov-24	A steady charge; enhancing EV focus ; <i>Result Update</i>	1,374	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
18-Aug-25	MSUMI	Greenfield ramp-ups to charge up growth; <i>Visit Note</i>
14-Aug-25	Ashok Leyland	Q1 in-line; outlook remains muted; <i>Result Update</i>
08-Aug-25	Tata Motors	A cold start: weak quarter; outlook subd; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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