

# Amara Raja Energy & Mobility

India | Auto Ancillaries | Result Update

**ElaraCapital**

1 June 2025

## Muted quarter, near-term headwinds to persist

Amara Raja Energy & Mobility (AMRJ IN) Q4 standalone revenue grew by 6% YoY and down 6% QoQ, led by robust aftermarket performance in PV and 2W partly offset by weakness in the industrial segment. While the lead acid business grew 4% YoY, the industrial segment witnessed a muted quarter, led by weakness in the telecom segment, which contracted 15% YoY. On low base, the new energy business surged 35% YoY, although annual growth remains flat due to loss of share in key accounts. Absolute EBITDA contracted 16.1% YoY and 17.7% QoQ to INR 3.4bn, with a margin at 11.5%, down 300bp YoY and 160bp QoQ in Q4FY25, due to higher raw material and power cost. While lead acid business in the auto segment remains steady, the industrial segment, led by telecom (which is under pressure), and ramp-up of the Li-ion cell business (also pricing of Li-ion cells globally -- our recent visit to China indicates the possibility of further downside to Li-ion cell prices) will be key monitorable. We reiterate **Accumulate** with a reduced TP of INR 1,108 based on 14x June 2027E consolidated P/E.

**Margin hit by higher Antimony and power cost:** Margin in Q4 was adversely affected by elevated Antimony prices and higher power cost, which together compressed margin by 1.5-2.0%. Additionally, warranty-related provisions further weighed on profitability. To offset these pressures, the company implemented a 2% price increase in April. While elevated Antimony and power cost are expected to continue for the next two quarters, the upcoming commissioning of the new tubular battery and recycling plants is likely to aid in margin recovery. Management reaffirmed its margin target of 14%, supported by the commissioning of new plants and improved operational throughput. While margin recovery is set to be gradual, cost tailwinds from the recycling and tubular battery facilities, along with recent price increases, are likely to aid in stabilizing and rebuilding profitability in FY26.

**New project commercialization to provide relief from margin headwinds:** Key capacity expansion initiatives, such as the tubular battery facility slated to commence operations in June 2025, and the lead recycling plant, which was commercialized in Q4, are expected to drive cost efficiency and margin enhancement in FY26. These strategic projects are considered critical enablers of the company's 14% margin target, as they reduce raw material dependency and enhance production throughput.

**Reiterate Accumulate with a reduced TP of INR 1,108:** AMRJ's lead acid battery business continues to outperform Exide's revenue growth (AMRJ revenue growth at 6.0% vs Exide's 3.7%). Double-digit replacement growth is a positive, in our view, and remains an insulation against cyclicity of OEM and the industrial business. We monitor further order wins in Li-ion cell manufacturing, especially for the PV OEM segment, which would drive valuation in the near term, even as profitability of Li-ion cell will remain cause for concern initially. We reiterate **Accumulate** with a reduced TP of INR 1,108 from INR 1,142 as we roll forward to June 2027E. Our new TP is based on 14x (unchanged) June 2027E consolidated P/E (INR 232 ascribed to the Li-ion battery business). We tweak FY26-27 estimates by 3-4% and introduce FY28E.

### Key financials

| YE March          | FY24    | FY25    | FY26E   | FY27E   | FY28E   |
|-------------------|---------|---------|---------|---------|---------|
| Revenue (INR mn)  | 117,084 | 128,463 | 139,181 | 151,501 | 163,473 |
| YoY (%)           | 12.7    | 9.7     | 8.3     | 8.9     | 7.9     |
| EBITDA (INR mn)   | 16,585  | 16,165  | 18,164  | 20,490  | 22,559  |
| EBITDA margin (%) | 14.2    | 12.6    | 13.1    | 13.5    | 13.8    |
| Adj PAT (INR mn)  | 9,344   | 8,336   | 9,818   | 11,404  | 12,697  |
| YoY (%)           | 20.0    | (10.8)  | 17.8    | 16.2    | 11.3    |
| Fully DEPS (INR)  | 51.1    | 45.6    | 53.6    | 62.3    | 69.4    |
| RoE (%)           | 14.6    | 11.8    | 12.6    | 13.1    | 13.0    |
| RoCE (%)          | 18.1    | 15.2    | 15.5    | 15.8    | 15.7    |
| P/E (x)           | 20.2    | 22.6    | 19.2    | 16.5    | 14.9    |
| EV/EBITDA (x)     | 11.2    | 11.5    | 10.3    | 9.1     | 8.3     |

Note: Pricing as on 30 May 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 1,108**

Upside: **7%**

CMP: **INR 1,031**

As on 30 May 2025

### Key data

|                            |           |
|----------------------------|-----------|
| Bloomberg                  | ARENM IN  |
| Reuters Code               | AMAR.NS   |
| Shares outstanding (mn)    | 183       |
| Market cap (INR bn/USD mn) | 189/2,204 |
| EV (INR bn/USD mn)         | 186/2,176 |
| ADTV 3M (INR mn/USD mn)    | 767/9     |
| 52 week high/low           | 1,776/805 |
| Free float (%)             | 67        |

Note: as on 30 May 2025; Source: Bloomberg

### Price chart



Source: Bloomberg

|                  | Q1<br>FY25 | Q2<br>FY25 | Q3<br>FY25 | Q4<br>FY25 |
|------------------|------------|------------|------------|------------|
| Shareholding (%) |            |            |            |            |
| Promoter         | 32.9       | 32.9       | 32.9       | 32.9       |
| % Pledge         | 0.0        | 0.0        | 0.0        | 0.0        |
| FII              | 23.8       | 22.3       | 21.8       | 20.7       |
| DII              | 14.6       | 15.4       | 14.9       | 14.5       |
| Others           | 28.7       | 29.4       | 30.4       | 31.9       |

Source: BSE

| Price performance (%)        | 3M   | 6M     | 12M    |
|------------------------------|------|--------|--------|
| Nifty                        | 11.9 | 2.0    | 9.9    |
| Amara Raja Energy & Mobility | 5.3  | (19.5) | (12.7) |
| NSE Mid-cap                  | 15.9 | 0.5    | 8.7    |
| NSE Small-cap                | 21.6 | (5.6)  | 7.7    |

Source: Bloomberg

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## Financials (YE March)

| <b>Income Statement (INR mn)</b>           | <b>FY24</b>   | <b>FY25</b>    | <b>FY26E</b>   | <b>FY27E</b>   | <b>FY28E</b>   |
|--|---------------|----------------|----------------|----------------|----------------|
| Total Revenue                              | 117,084       | 128,463        | 139,181        | 151,501        | 163,473        |
| Gross Profit                               | 38,488        | 41,668         | 44,906         | 49,243         | 53,125         |
| EBITDA                                     | 16,585        | 16,165         | 18,164         | 20,490         | 22,559         |
| EBIT                                       | 11,742        | 10,908         | 12,381         | 14,208         | 15,750         |
| Interest expense                           | 344           | 443            | 355            | 287            | 233            |
| Other income                               | 1,104         | 1,156          | 1,065          | 1,284          | 1,412          |
| Exceptional/ Extra-ordinary items          | -             | 1,111          | -              | -              | -              |
| PBT  | 12,502        | 12,732         | 13,091         | 15,205         | 16,930         |
| Tax  | 3,158         | 3,285          | 3,273          | 3,801          | 4,232          |
| Reported PAT                               | 9,344         | 9,447          | 9,818          | 11,404         | 12,697         |
| Adjusted PAT                               | 9,344         | 8,336          | 9,818          | 11,404         | 12,697         |
| <b>Balance Sheet (INR mn)</b>              | <b>FY24</b>   | <b>FY25</b>    | <b>FY26E</b>   | <b>FY27E</b>   | <b>FY28E</b>   |
| Shareholders' Equity                       | 67,987        | 73,891         | 82,237         | 91,930         | 102,722        |
| Trade Payables                             | 8,565         | 10,866         | 17,159         | 18,263         | 19,706         |
| Provisions & Other Current Liabilities     | 11,786        | 14,737         | 13,599         | 14,647         | 15,680         |
| Total Borrowings                           | 533           | 1,446          | 2,446          | 2,946          | 3,446          |
| Other long term liabilities                | 906           | 743            | 743            | 743            | 743            |
| <b>Total liabilities &amp; equity</b>      | <b>89,778</b> | <b>101,683</b> | <b>116,184</b> | <b>128,527</b> | <b>142,297</b> |
| Net Fixed Assets                           | 44,481        | 53,123         | 60,516         | 67,035         | 72,386         |
| Business Investments / other NC assets     | 7,139         | 6,815          | 7,837          | 9,013          | 10,365         |
| Cash, Bank Balances & treasury investments | 1,178         | 1,746          | 3,648          | 4,694          | 8,156          |
| Inventories                                | 19,484        | 21,954         | 23,246         | 25,214         | 27,209         |
| Sundry Debtors                             | 11,358        | 12,631         | 15,253         | 16,603         | 17,915         |
| Other Current Assets                       | 6,137         | 5,414          | 5,684          | 5,968          | 6,267          |
| <b>Total Assets</b>                        | <b>89,778</b> | <b>101,683</b> | <b>116,184</b> | <b>128,527</b> | <b>142,297</b> |
| <b>Cash Flow Statement (INR mn)</b>        | <b>FY24</b>   | <b>FY25</b>    | <b>FY26E</b>   | <b>FY27E</b>   | <b>FY28E</b>   |
| <b>Cashflow from Operations</b>            | <b>12,660</b> | <b>13,513</b>  | <b>16,572</b>  | <b>16,234</b>  | <b>18,377</b>  |
| Capital expenditure                        | (8,715)       | (12,001)       | (12,526)       | (12,120)       | (11,443)       |
| Acquisitions / divestitures                | (2,869)       | 324            | (1,022)        | (1,176)        | (1,352)        |
| Other Business cashflow                    | 1,383         | 361            | -              | -              | -              |
| <b>Free Cash Flow</b>                      | <b>3,946</b>  | <b>1,512</b>   | <b>4,046</b>   | <b>4,114</b>   | <b>6,934</b>   |
| Cashflow from Financing                    | (2,334)       | (1,629)        | (1,122)        | (1,892)        | (2,120)        |
| Net Change in Cash / treasury investments  | 125           | 568            | 1,902          | 1,046          | 3,462          |
| <b>Key assumptions &amp; Ratios (%)</b>    | <b>FY24</b>   | <b>FY25</b>    | <b>FY26E</b>   | <b>FY27E</b>   | <b>FY28E</b>   |
| Dividend per share (INR)                   | 9.9           | 5.2            | 8.0            | 9.3            | 10.4           |
| Book value per share (INR)                 | 371.5         | 403.8          | 449.4          | 502.3          | 561.3          |
| RoCE (Pre-tax)                             | 18.1          | 15.2           | 15.5           | 15.8           | 15.7           |
| ROIC (Pre-tax)                             | 18.4          | 15.5           | 16.0           | 16.6           | 16.7           |
| ROE  | 14.6          | 11.8           | 12.6           | 13.1           | 13.0           |
| Asset Turnover                             | 2.8           | 2.6            | 2.4            | 2.4            | 2.3            |
| Net Debt to Equity (x)                     | 0.0           | 0.0            | 0.0            | 0.0            | 0.0            |
| Net Debt to EBITDA (x)                     | 0.0           | 0.0            | (0.1)          | (0.1)          | (0.2)          |
| Interest cover (x) (EBITDA/ int exp)       | 48.3          | 36.5           | 51.2           | 71.4           | 96.8           |
| Total Working capital days (WC/rev)        | 58.8          | 48.0           | 46.6           | 49.1           | 56.0           |
| <b>Valuation</b>                           | <b>FY24</b>   | <b>FY25</b>    | <b>FY26E</b>   | <b>FY27E</b>   | <b>FY28E</b>   |
| P/E (x)                                    | 20.2          | 22.6           | 19.2           | 16.5           | 14.9           |
| P/Sales (x)                                | 1.6           | 1.5            | 1.4            | 1.2            | 1.2            |
| EV/ EBITDA (x)                             | 11.2          | 11.5           | 10.3           | 9.1            | 8.3            |
| EV/ OCF (x)                                | 14.7          | 13.8           | 11.2           | 11.5           | 10.1           |
| FCF Yield                                  | 2.1           | 0.8            | 2.2            | 2.2            | 3.7            |
| Price to BV (x)                            | 2.8           | 2.6            | 2.3            | 2.1            | 1.8            |
| Dividend yield (%)                         | 1.0           | 0.5            | 0.8            | 0.9            | 1.0            |

Note: Pricing as on 30 May 2025; Source: Company, Elara Securities Estimate

## Exhibit 1: Quarterly financials

| Standalone (INR mn)        | Q4FY25        | Q4FY24        | YoY (%)       | Q3FY25        | QoQ (%)       | Q4FY25E       | Variance (%)  |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>             | <b>29,739</b> | <b>27,967</b> | <b>6.3</b>    | <b>31,640</b> | <b>(6.0)</b>  | <b>30,058</b> | <b>(1.1)</b>  |
| Operating costs            | 26,316        | 23,890        | 10.2          | 27,482        | (4.2)         | 26,030        | 1.1           |
| <b>EBITDA</b>              | <b>3,422</b>  | <b>4,077</b>  | <b>(16.1)</b> | <b>4,158</b>  | <b>(17.7)</b> | <b>4,028</b>  | <b>(15.0)</b> |
| <b>EBITDA margin (%)</b>   | <b>11.5</b>   | <b>14.6</b>   | <b>-307</b>   | <b>13.1</b>   | <b>(163)</b>  | <b>13.4</b>   | <b>(189)</b>  |
| Depn & amort.              | 1,284         | 1,210         | 6.1           | 1,233         | 4.1           | 1,250         | 2.7           |
| <b>EBIT</b>                | <b>2,138</b>  | <b>2,867</b>  | <b>(25.4)</b> | <b>2,925</b>  | <b>(26.9)</b> | <b>2,778</b>  | <b>(23.0)</b> |
| Interest expense           | 95            | 97            | (2.5)         | 107           | (10.9)        | 120           | (20.9)        |
| Other Income               | 200           | 283           | (29.4)        | 293           | (31.6)        | 250           | (19.9)        |
| <b>Pretax profit</b>       | <b>2,244</b>  | <b>3,053</b>  | <b>(26.5)</b> | <b>3,111</b>  | <b>(27.9)</b> | <b>2,908</b>  | <b>(22.8)</b> |
| Tax                        | 576           | 773           | (25.6)        | 1,103         | (47.8)        | 727           | (20.8)        |
| Tax rate (%)               | 25.7          | 25.3          |               | 35.5          |               | 25.0          |               |
| <b>Adjusted Net profit</b> | <b>1,668</b>  | <b>2,280</b>  | <b>(26.8)</b> | <b>2,008</b>  | <b>(16.9)</b> | <b>2,181</b>  | <b>(23.5)</b> |
| Reported Net Profit        | 1,668         | 2,280         | (26.8)        | 3,118         | (46.5)        | 2,181         | (23.5)        |
| EPS (INR)                  | 9.1           | 12.5          | (26.8)        | 11.0          | (16.9)        | 11.9          | (23.5)        |

Source: Company, Elara Securities Estimate

## Conference call Q4FY25

- ▶ **Margin outlook:** Management reiterated its margin target of 14%, underpinned by new plant operationalization and improved throughput. While margin trajectory will be gradual, cost tailwinds (from recycling and tubular batteries) and price action should help stabilize and rebuild profitability in FY26
- ▶ **LFP and NMC prices:** LFP battery prices are currently USD 55/kwh, NMC battery prices at USD 60/kwh. Prices depend based on quality and purchase volume, but both LFP and NMC prices are trending down
- ▶ **Aftermarket and industrial:** Domestic aftermarket performance in PV and 2W was robust, while the industrial segment benefitted from robust demand in UPS/data centres, offsetting telecom weakness. The international business saw double-digit growth for the full year, with Amaron gaining share in Asia and onboarding clients in North America despite Q4 softness
- ▶ **Capex:** The company invested INR 12bn in FY25, primarily in reinforcing its core lead acid infrastructure (INR 4bn crore for tubular batteries) and expanding new energy capabilities of INR 3-4bn. A similar outlay is expected for FY26, with increasing allocation toward EV and energy storage infrastructure
- ▶ **Price hike and margin impact:** Material inflation (notably Antimony), higher energy cost, increased trading activity, and provisions for warranty & employee cost compressed margin by 1.5-2.0% in Q4. The full-year impact was similar. While near-term pressure persists, April's 2% price hike and expected operating leverage from new capacity should aid in recovery toward the 14% margin target
- ▶ **Lead acid business:** The lead acid battery segment, accounting for 95% of total revenue, grew 4% YoY, slightly below historical trends. Strong domestic aftermarket, sustained OEM orders, and expanding global footprints, initiatives like the tubular battery plant ramp-up and lead recycling unit, should support medium-term margin and volume growth
- ▶ **New energy business:** New energy revenue surged 35% YoY in Q4 on low base, although annual growth remains flat due to share loss in key accounts and technical setbacks. Recovery is underway, supported by resolution of charger issues, expanding pack capacity of 7GWh, and growing traction in direct current (DC) fast chargers and ESS. Cost of manufacturing cells in India are higher by 15%, but the same is expected to reduce as supply chain becomes more localized
- ▶ **Project commercialization:** Key capacity projects – the tubular battery facility (June 2025 start) and lead recycling plant, commercialized in Q4 – are expected to provide cost and margin

benefits in FY26. These are seen as core enablers for the company's 14% margin aspiration, reducing raw material dependency and bolstering throughput

- ▶ **Inventory management:** The company aims to sustain an average inventory of 55 days. Higher inventory levels at the end of the year are attributed to seasonal demand for the tubular battery factory
- ▶ **Traded revenue:** Traded revenue constituted 15% of total revenue this quarter. This is expected to decrease as the company's own manufacturing activities increase
- ▶ **Automotive segment growth:** While the four-wheeler segment is currently flat, the company anticipates an uptick in Q2. The two-wheeler segment experienced a downward trend in Q1, with hopes for improvement in subsequent quarters. In Q4, two-wheeler business grew 13%, four-wheeler replacement by 9% and OEM by 15%. Inverter battery volume grew by 17% and UPS by 15%
- ▶ **Impact of export tariffs:** The company exports to the aftermarket, not OEM. The impact of tariffs is being monitored, with potential effects on US customer orders and competitive intensity in other export markets
- ▶ **Impact of regulations and cost:** A regulatory change regarding power transmission from the company's solar plant led to higher power cost in the current quarter. Management is working with regulators to resolve this. Fuel surcharge and other cost increases also dragged margin
- ▶ **Cashflow and payback:** The company is investing significantly in capability development, including a customer qualification plant and research lab. Payback periods for new energy projects are currently high. The first phase of the new energy business is expected to require INR 20-25bn, funded through existing cashflow and some leverage

## Exhibit 2: Quarterly financials

| Consolidated (INR mn)      | Q4FY25        | Q4FY24        | YoY (%)       | Q3FY25        | QoQ (%)       | Q4FY25E       | Variance (%)  |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>             | <b>30,601</b> | <b>29,079</b> | <b>5.2</b>    | <b>32,725</b> | <b>(6.5)</b>  | <b>31,132</b> | <b>(1.7)</b>  |
| Operating costs            | 27,192        | 24,975        | 8.9           | 28,667        | (5.1)         | 27,210        | (0.1)         |
| <b>EBITDA</b>              | <b>3,409</b>  | <b>4,103</b>  | <b>(16.9)</b> | <b>4,058</b>  | <b>(16.0)</b> | <b>3,922</b>  | <b>(13.1)</b> |
| <b>EBITDA margin (%)</b>   | <b>11.1</b>   | <b>14.1</b>   | <b>(297)</b>  | <b>12.4</b>   | <b>(126)</b>  | <b>12.6</b>   | <b>(146)</b>  |
| Depn & amort.              | 1,441         | 1,234         | 16.8          | 1,315         | 9.5           | 1,350         | 6.7           |
| <b>EBIT</b>                | <b>1,968</b>  | <b>2,870</b>  | <b>(31.4)</b> | <b>2,743</b>  | <b>(28.2)</b> | <b>2,572</b>  | <b>(23.5)</b> |
| Interest expense           | 100           | 109           | (8.3)         | 113           | (11.1)        | 126           | (20.6)        |
| Other Income               | 258           | 333           | (22.5)        | 347           | (25.6)        | 300           | (13.9)        |
| <b>Pretax profit</b>       | <b>2,126</b>  | <b>3,094</b>  | <b>(31.3)</b> | <b>2,977</b>  | <b>(28.6)</b> | <b>2,746</b>  | <b>(22.6)</b> |
| Tax                        | 511           | 796           | (35.9)        | 1,104         | (53.8)        | 686           | (25.6)        |
| Tax rate (%)               | 24.0          | 25.7          |               | 37.1          |               | 25.0          |               |
| <b>Adjusted Net profit</b> | <b>1,616</b>  | <b>2,298</b>  | <b>(29.7)</b> | <b>1,873</b>  | <b>(13.7)</b> | <b>2,059</b>  | <b>(21.5)</b> |
| Exceptionals               | 0             | 0             |               | 0             |               | 0             |               |
| Reported Net Profit        | 1,616         | 2,298         | (29.7)        | 2,984         | (45.8)        | 2,059         | (21.5)        |
| EPS (INR)                  | 8.8           | 12.6          | (29.7)        | 10.2          | (13.7)        | 11.3          | (21.5)        |

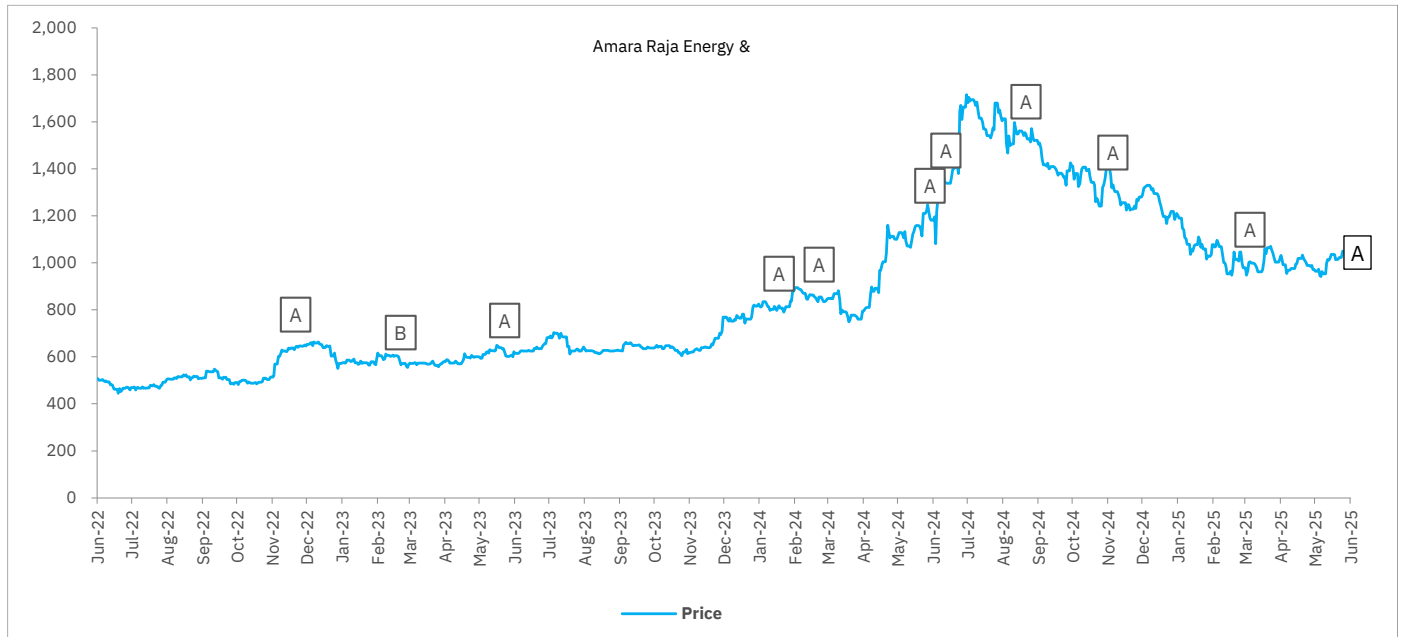
Source: Company, Elara Securities Research

## Exhibit 3: Change in estimates

| (INR mn)                  | Earlier |              | Revised |              | % variation |              | New     |
|---------------------------|---------|--------------|---------|--------------|-------------|--------------|---------|
|                           | FY26E   | FY27E        | FY26E   | FY27E        | FY26E       | FY27E        | FY28E   |
| Net sales                 | 139,706 | 152,118      | 139,181 | 151,501      | (0.4)       | (0.4)        | 163,473 |
| EBITDA                    | 18,742  | 20,978       | 18,164  | 20,490       | (3.1)       | (2.3)        | 22,559  |
| EBITDA margin (%)         | 13.4    | 13.8         | 13.1    | 13.5         | (36.5)      | (26.6)       | 13.8    |
| PAT                       | 10,255  | 11,727       | 9,818   | 11,404       | (4.3)       | (2.8)        | 12,697  |
| <b>Target Price (INR)</b> |         | <b>1,142</b> |         | <b>1,108</b> |             | <b>(3.0)</b> |         |

Source: Elara Securities Estimate

## Coverage History



| Date        | Rating     | Target Price (INR) | Closing Price (INR) |
|-------------|------------|--------------------|---------------------|
| 22-Nov-2022 | Accumulate | 700                | 642                 |
| 22-Feb-2023 | Buy        | 700                | 570                 |
| 24-May-2023 | Accumulate | 670                | 617                 |
| 19-Jan-2024 | Accumulate | 919                | 817                 |
| 23-Feb-2024 | Accumulate | 1,013              | 855                 |
| 30-May-2024 | Accumulate | 1,341              | 1,190               |
| 13-Jun-2024 | Accumulate | 1,506              | 1,340               |
| 22-Aug-2024 | Accumulate | 1,618              | 1,548               |
| 06-Nov-2024 | Accumulate | 1,573              | 1,332               |
| 06-Mar-2025 | Accumulate | 1,142              | 1,004               |
| 30-May-2025 | Accumulate | 1,108              | 1,031               |

## Guide to Research Rating

|                       |                             |
|-----------------------|-----------------------------|
| <b>BUY (B)</b>        | Absolute Return >+20%       |
| <b>ACCUMULATE (A)</b> | Absolute Return +5% to +20% |
| <b>REDUCE (R)</b>     | Absolute Return -5% to +5%  |
| <b>SELL (S)</b>       | Absolute Return < -5%       |

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