

## Accumulate

### Growth levers intact

- Amara Raja reported in-line revenue performance in Q3FY21, while EBITDA margin contracted 60bp YoY owing to lower gross margin and weaker mix (Increase 2W OEM revenue). Our channel checks indicate, AMRJ has taken 3-4% price hikes across segments to offset the raw material cost inflation, hence margin to inch up in 4Q.
- Strong pickup in replacement demand (led by increasing preference of personal mobility, traction in used car sales, pick up in logistics movement) and revival in demand from OEMs will continue to aid revenue growth. The inverter segment has shown promising growth due to the ongoing work from home situation and replacement demand continues to be strong owing to increasing penetration
- Moreover, the unorganized players are getting squeezed out of the market in battery segment due to 1) inability to cater to the new launches by the OEMs which come with advanced fitments and upgraded technology and 2) challenging to source lead (key raw material), as there is no inventory of used batteries in the market, which is positive for organized players (both volume and price).
- We maintain our positive view on Amara Raja due to: 1) increase in production capacity which will help gain market share in the OEM segment (new business orders in 2W from RE, Hero and HMSI); 2) sharp demand recovery in the automotive OEM and replacement market; 3) low channel inventory is expected to support both, dispatches and pricing and 4) strong prospects of the industrial batteries, owing to increasing demand for UPS and telecom batteries.
- The company has announced a capex of Rs 5bn to setting up a Lead recycling plant and 50MW power plant. Under the PLI scheme, management is exploring investment opportunities in the advanced and futuristic energy storage technologies for emerging markets.
- We anticipate Revenue/PAT growth of 12/15% CAGR over FY21-23E and recommend Accumulate with TP of Rs 1,024 (20x FY23E EPS).

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	19,601	17,475	12.2	19,358	1.3
Total Expense	16,537	14,638	13.0	15,955	3.7
EBITDA	3,064	2,837	8.0	3,404	(10.0)
Depreciation	791	765	3.4	782	1.1
EBIT	2,273	2,073	9.7	2,622	(13.3)
Other Income	352	128	175.9	113	212.1
Interest	26	29	(10.0)	25	4.8
EBT	2,599	2,171	19.7	2,710	(4.1)
Tax	667	530	26.0	695	(4.0)
RPAT	1,932	1,642	17.7	2,015	(4.1)
APAT	1,932	1,642	17.7	2,015	(4.1)
			(bps)		(bps)
Gross Margin (%)	33.9	35.5	(164)	34.7	(82)
EBITDA Margin (%)	15.6	16.2	(60)	17.6	(195)
NPM (%)	9.9	9.4	46	10.4	(55)
Tax Rate (%)	25.7	24.4	128	25.6	2
EBIT Margin (%)	11.6	11.9	(26)	13.5	(195)

CMP	Rs 928
Target / Upside	Rs 1,024 / 10%
NIFTY	15,315

### Scrip Details

Equity / FV	Rs 171mn / Rs 1
Market Cap	Rs 159bn
	USD 2bn
52-week High/Low	Rs 1,026/ 349
Avg. Volume (no)	9,82,317
Bloom Code	AMRJ IN

Price Performance	1M	3M	12M
Absolute (%)	(8)	13	23
Rel to NIFTY (%)	(14)	(7)	(4)

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	28.1	28.1	28.1
MF/Banks/FIs	13.3	14.2	14.5
FIIIs	46.6	46.1	48.3
Public / Others	12.0	11.6	9.1

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	23.8	20.4	18.2
EV/EBITDA	13.6	11.8	10.5
ROE (%)	17.1	17.4	17.2
RoACE (%)	16.9	17.2	17.0

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	72,225	82,040	90,298
EBITDA	11,412	13,208	14,719
PAT	6,676	7,778	8,747
EPS (Rs.)	39.0	45.5	51.1

**Analyst: Abhishek Jain**  
Tel: +9122 40969739  
E-mail: abhishekj@dolatcapital.com

**Associate: Ketul Dalal**  
Tel: +91 22 4096 9770  
E-mail: ketuld@dolatcapital.com

## Healthy pick up in Replacement demand

The aftermarket saw strong demand in Q3 with easing of logistics movement and preference of personal mobility. While, 2W battery replacement demand is quite strong, there is a short supply in most parts of the country due to supply chain disruptions for a few components sourced from China and existing commitment to fulfil OEMs orders, thereby impacting supply in the aftermarket. Both companies (AMRJ and EXID) are making their best efforts to remove bottlenecks in the production and supply chain in order to accelerate dispatches.

Inverter battery sales have witnessed a surge in demand due to the ongoing work from home situation. Demand for other industrial batteries like solar and telecom segments continue to be strong.

## Gaining market share

The unorganized players are getting squeezed out of the market due to 1) inability to cater to the new launches by the OEMs which come with advanced fitments and upgraded technology and 2) challenging to source lead (key raw material), as there is no inventory of used batteries in the market, which is positively impacting the organized companies.

We expect a surge in demand as channel inventory is lower than the same period last year. Company has been gaining market share in the replacement segment in 2W, 4W, as well as the Telecom segment by leveraging channel expansion strategy and product innovation.

## Capacity addition – Next growth driver

The company is setting up a Lead recycling unit for 100k tonne capacity at capex of Rs2.8bn in the next 18 months. Also, it is setting up a solar power plant with capacity of 50MW for an outlay of Rs2.2bn. These efforts should support cost reduction in FY23E.

All existing manufacturing capacities are operating at optimum utilization across all segments and have fully ramped up. Company has expanded its 4W capacity by 2-2.5mn to 12mn units and 2W capacity by 4mn units to 19mn units. Amara Raja has completed their Greenfield capacity expansion of its third plant, adding capacity of 6mn batteries (First phase added 2mn batteries taken its total 2W battery capacity to 21m units/year. With new capacities in place, the company is strategically positioned to gain volume in exports and OEMs in the automotive segment. Across the EV battery value chain, AMRJ is positioning itself as a credible battery management and pack assembly supplier.

### Exhibit 1: Actual vs DART Estimates

Particulars (Rs mn)	Actual	DART Est	Var (%)	Remarks
Sales	19,601	19,955	(2)	NA
EBIDTA	3,064	3,472	(12)	Higher RM cost
EBIDTA Margin (%)	15.6	17.4	(177bps)	
APAT	1,932	2,114	(9)	Higher tax rate

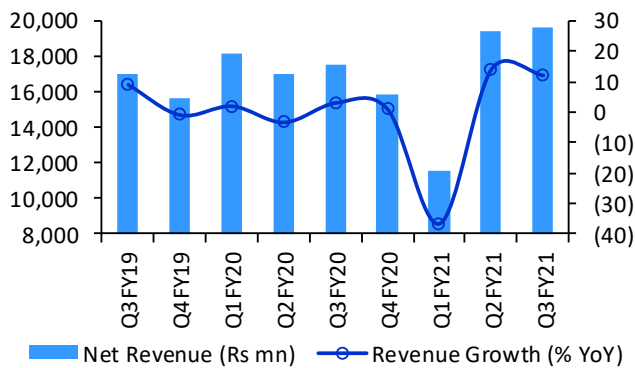
Source: DART, Company

### Exhibit 2: Change in Estimates

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	82,040	74,372	10.3	90,298	81,902	10.3
EBITDA	13,208	12,123	9.0	14,719	13,514	8.9
EBITDA Margin (%)	16.1	16.3	(20)bps	16.3	16.5	(20)bps
PAT	7,778	7,054	10.3	8,747	8,015	9.1
EPS (Rs)	45.5	41.3	10.3	51.1	46.9	9.1

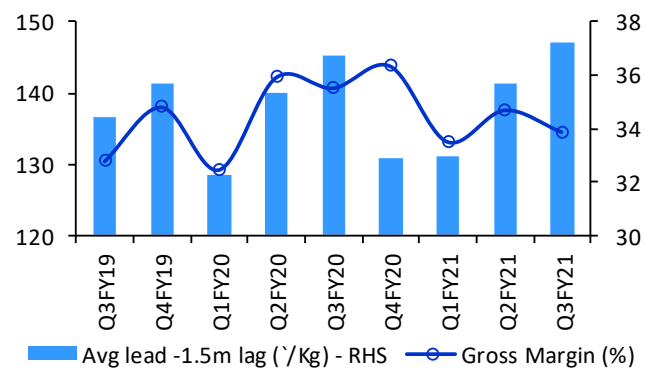
Source: DART, Company

### Exhibit 3: Revenue improved YoY/QuQ



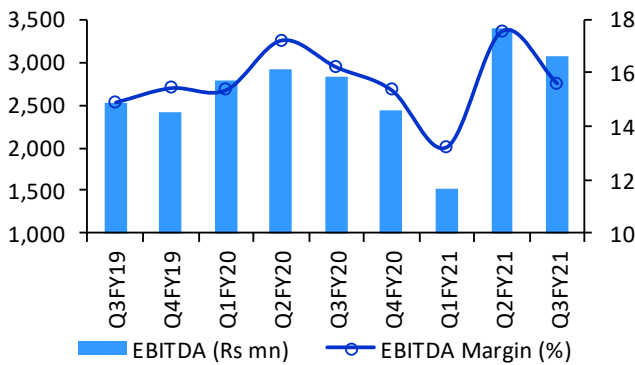
Source: Company, DART

### Exhibit 4: Gross margins contracted YoY/QuQ



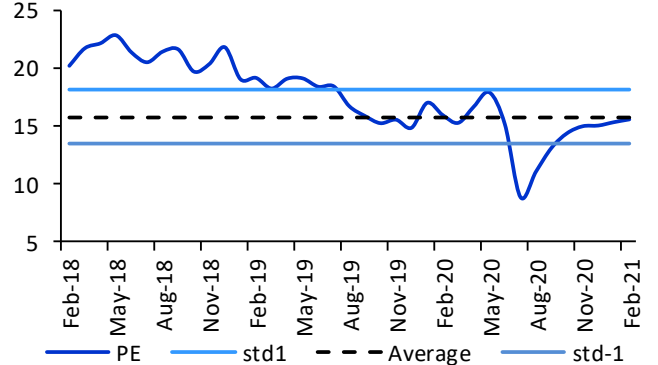
Source: Company, DART

### Exhibit 5: EBITDA margin under pressure



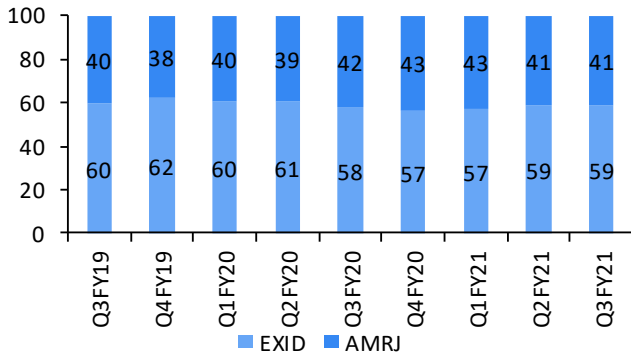
Source: Company, DART

### Exhibit 6: P/E Band chart



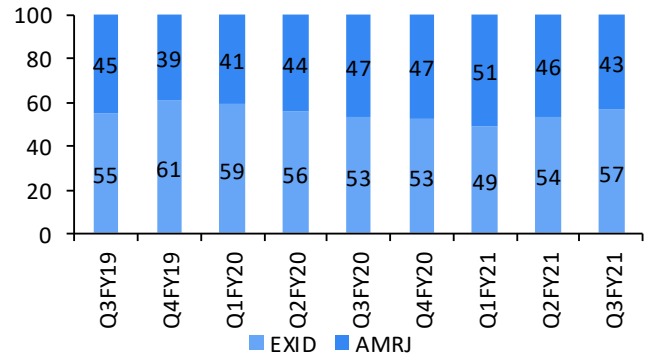
Source: Company, DART

**Exhibit 7: AMRJ vs EXID Industry Revenue share\* (%)**



Source: Company, DART, \*Industry revenue = AMRJ+ EXID Revenue

**Exhibit 8: AMRJ vs EXID Industry EBIDTA share\* (%)**



Source: Company, DART, \*Industry EBIDTA= AMRJ+ EXID EBIDTA

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>68,395</b>	<b>72,225</b>	<b>82,040</b>	<b>90,298</b>
<b>Total Expense</b>	<b>57,406</b>	<b>60,813</b>	<b>68,832</b>	<b>75,579</b>
COGS	44,469	47,596	54,146	59,596
Employees Cost	3,858	4,478	5,086	5,418
Other expenses	9,080	8,739	9,599	10,565
<b>EBIDTA</b>	<b>10,988</b>	<b>11,412</b>	<b>13,208</b>	<b>14,719</b>
Depreciation	3,007	3,126	3,477	3,593
<b>EBIT</b>	<b>7,981</b>	<b>8,286</b>	<b>9,731</b>	<b>11,126</b>
Interest	122	98	60	55
Other Income	551	773	768	670
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>8,410</b>	<b>8,961</b>	<b>10,440</b>	<b>11,741</b>
Tax	1,799	2,285	2,662	2,994
RPAT	6,611	6,676	7,778	8,747
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>6,611</b>	<b>6,676</b>	<b>7,778</b>	<b>8,747</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	171	171	171	171
Minority Interest	0	0	0	0
Reserves & Surplus	36,385	41,459	47,370	54,017
<b>Net Worth</b>	<b>36,556</b>	<b>41,630</b>	<b>47,541</b>	<b>54,188</b>
Total Debt	560	650	600	550
Net Deferred Tax Liability	441	441	441	441
<b>Total Capital Employed</b>	<b>37,557</b>	<b>42,721</b>	<b>48,582</b>	<b>55,180</b>

**Applications of Funds**

Net Block	<b>18,292</b>	<b>24,667</b>	<b>25,189</b>	<b>25,597</b>
CWIP	8,270	3,270	5,770	8,270
Investments	1,562	3,718	4,090	4,499
<b>Current Assets, Loans &amp; Advances</b>	<b>21,882</b>	<b>23,147</b>	<b>26,142</b>	<b>29,579</b>
Inventories	11,427	9,894	12,362	13,606
Receivables	6,363	4,947	6,743	7,422
Cash and Bank Balances	845	4,778	3,195	4,359
Loans and Advances	1,191	1,369	1,575	1,811
Other Current Assets	2,056	2,159	2,267	2,381
<b>Less: Current Liabilities &amp; Provisions</b>	<b>12,448</b>	<b>12,081</b>	<b>12,610</b>	<b>12,765</b>
Payables	6,149	6,259	6,676	6,858
Other Current Liabilities	6,300	5,821	5,934	5,907
		<i>sub total</i>		
Net Current Assets	9,433	11,066	13,533	16,814
<b>Total Assets</b>	<b>37,558</b>	<b>42,721</b>	<b>48,582</b>	<b>55,180</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	35.0	34.1	34.0	34.0
EBIDTA Margin	16.1	15.8	16.1	16.3
EBIT Margin	11.7	11.5	11.9	12.3
Tax rate	21.4	25.5	25.5	25.5
Net Profit Margin	9.7	9.2	9.5	9.7
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	65.0	65.9	66.0	66.0
Employee	5.6	6.2	6.2	6.0
Other	13.3	12.1	11.7	11.7
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	65.5	84.3	162.2	202.3
Inventory days	61	50	55	55
Debtors days	34	25	30	30
Average Cost of Debt	23.7	16.2	9.6	9.6
Payable days	33	32	30	28
Working Capital days	46	32	46	50
FA T/O	3.7	2.9	3.3	3.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	38.6	39.0	45.5	51.1
CEPS (Rs)	56.2	57.3	65.8	72.1
DPS (Rs)	11.0	7.8	9.1	10.2
Dividend Payout (%)	28.4	20.0	20.0	20.0
BVPS (Rs)	213.7	243.3	277.9	316.7
RoANW (%)	18.9	17.1	17.4	17.2
RoACE (%)	18.6	16.9	17.2	17.0
RoAIC (%)	22.6	22.2	23.4	23.1
<b>(E) Valuation Ratios</b>				
CMP (Rs)	928	928	928	928
P/E	24.0	23.8	20.4	18.2
Mcap (Rs Mn)	1,58,831	1,58,831	1,58,831	1,58,831
MCap/ Sales	2.3	2.2	1.9	1.8
EV	1,58,546	1,54,703	1,56,236	1,55,022
EV/Sales	2.3	2.1	1.9	1.7
EV/EBITDA	14.4	13.6	11.8	10.5
P/BV	4.3	3.8	3.3	2.9
Dividend Yield (%)	1.2	0.8	1.0	1.1
<b>(F) Growth Rate (%)</b>				
Revenue	0.7	5.6	13.6	10.1
EBITDA	15.5	3.9	15.7	11.4
EBIT	15.6	3.8	17.4	14.3
PBT	15.2	6.6	16.5	12.5
APAT	36.8	1.0	16.5	12.5
EPS	36.8	1.0	16.5	12.5
<b>Cash Flow</b>				
<b>(Rs Mn)</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
CFO	11,769	11,949	6,916	9,877
CFI	(8,497)	(6,406)	(6,522)	(6,509)
CFF	(3,144)	(1,611)	(1,977)	(2,204)
FCFF	4,770	7,449	416	3,377
Opening Cash	718	845	4,778	3,195
Closing Cash	845	4,778	3,195	4,359

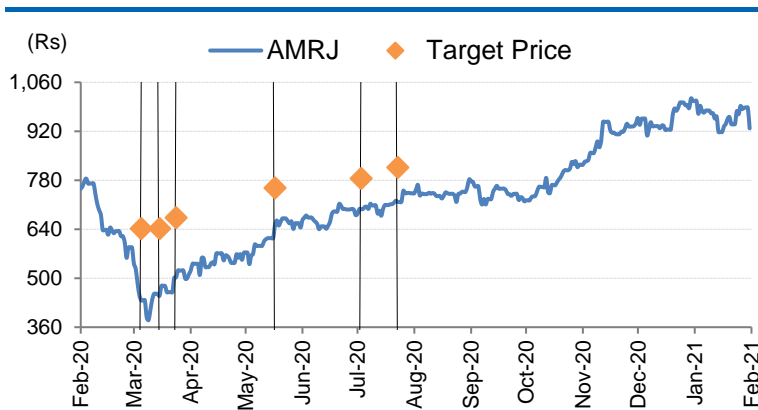
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Mar-20	Buy	642	437
Mar-20	Buy	642	450
Apr-20	Buy	673	502
Jun-20	Accumulate	758	652
Jul-20	Accumulate	785	698
Aug-20	Accumulate	817	718

\*Price as on recommendation date

### DART Team

<b>Purvag Shah</b>	<b>Managing Director</b>	<b>purvag@dolatcapital.com</b>	<b>+9122 4096 9747</b>
--------------------	--------------------------	--------------------------------	------------------------

<b>Amit Khurana, CFA</b>	<b>Head of Equities</b>	<b>amit@dolatcapital.com</b>	<b>+9122 4096 9745</b>
--------------------------	-------------------------	------------------------------	------------------------

#### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat** Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

---

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

---

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)****II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd StoneX Financial Inc. ("StoneX"). Transactions in securities discussed in this research report should be effected through StoneX Financial Inc. ("StoneX") or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.



---

**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)

---