

Amara Raja Batteries

Refer to important disclosures at the end of this report

Q2 EBITDA-beat on price hikes, lower commodity prices

AMRJ's Q2FY23 EBITDA grew by 34% YoY (3-yr CAGR: 7%) to Rs3.6bn, coming in 21% above our estimates as benefits from easing commodity prices and product price increases were higher than our expectations. Revenue increased by 19% (3-yr CAGR: 17%) to Rs27bn, standing at a 5% beat due to higher than estimated growth in the auto segment. Factoring-in better revenue & margin assumptions, we increase our FY23-25E EPS by 2-8%. Despite losing out in the PLI-ACC scheme, AMRJ plans to commence construction work on lithium-ion cell manufacturing facility and production may commence after two years. However, as we do not see any near-term triggers, we retain HOLD with TP of Rs550/share, based on 11x Dec-24E EPS (Sep-24E earlier). **Key downside risks:** Lower-than-expected demand in key geographies, increased competitive intensity, and adverse movement in commodity prices/currency rates.

Q2 EBITDA notably above estimates: Revenue grew by 19% YoY (3-yr CAGR: 17%) to Rs27bn, above our estimates of Rs25.7bn, due to higher growth in the auto segment. Within auto, two-wheelers (2Ws) have seen higher growth. Within industrials, the telecom segment has witnessed better growth. EBITDA grew by 34% (3-yr CAGR: 7%) to Rs3.6bn, standing 21% above our estimates, led by higher-than-expected revenue and gross margin. EBITDA margin expanded by 150bps to 13.3% (Emkay est.: 11.6%). Gross margin improved by 80bps YoY (+390bps QoQ) to 30.5%, on price hikes of 2-2.5% in the aftermarket and notable correction in prices of lead. Accordingly, PAT grew 40% (3-yr CAGR: -3%) to Rs2bn, above our estimate of Rs1.6bn, on higher operating profit. **What we liked:** 1) Strong revenue performance in the auto & industrial segments; 2) Improvement in gross margin. **What we did not like:** 1) Company's selection under the PLI-ACC scheme is not foreseeable, despite exit of players like Hyundai. 2) Work on the lithium-ion cell manufacturing facility project will commence soon. However, commissioning of the project is not expected for the next 2 years.

Management-Call KTAs: 1) **Q2FY23 volume performance:** PV segment volume grew by 13-14%, led by growth of 18-20% in OEM and 10% in the aftermarket segments. The 2W segment grew by 10%, led by growth of 7-8% in OEM and 10-11% in aftermarket. The telecom segment grew by 15%, and other industrial segments grew by 8-10%. The home inverter segment witnessed a 10% decline. 2) INR depreciation may affect gross margins ahead. 3) FY23 capex is expected to be Rs5-6bn.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 6\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	71,497	86,958	104,149	113,449	122,443
EBITDA	11,157	10,226	12,342	15,032	16,407
EBITDA margin (%)	15.6	11.8	11.9	13.3	13.4
APAT	6,468	5,112	6,483	8,131	8,744
EPS (Rs)	37.9	29.9	38.0	47.6	51.2
EPS (% chg)	(2.1)	(21.0)	26.8	25.4	7.5
ROE (%)	16.4	11.7	13.6	15.4	14.9
P/E (x)	13.7	17.4	13.7	10.9	10.2
EV/EBITDA (x)	7.6	8.6	7.2	5.8	5.3
P/BV (x)	2.1	2.0	1.8	1.6	1.4

Source: Company, Emkay Research

CMP	Target Price
Rs 520 as of (November 3, 2022)	Rs 550 (▲) 12 months
Rating	Upside
HOLD (■)	5.8 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	7.8/3.1
Target Price change (%)	3.8
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	38.0	47.6
Consensus	35.4	43.1
Mean Consensus TP (12M)	Rs 550	

Stock Details

Bloomberg Code	AMRJ IN
Face Value (Rs)	1
Shares outstanding (mn)	171
52 Week H/L	714 / 438
M Cap (Rs bn/USD bn)	89 / 1.07
Daily Avg Volume (nos.)	563,063
Daily Avg Turnover (USD mn)	3.5

Shareholding Pattern Sep '22

Promoters	28.1%
FIIIs	18.5%
DIIIs	10.0%
Public and Others	43.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	3	(6)	(25)
Rel. to Nifty	1	(1)	(11)	(26)

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Key revenue assumptions; expect revenue CAGR of 12% over FY22-25E

Revenue mix	FY21	FY22	FY23E	FY24E	FY25E	CAGR - FY22-25E (%)
Automotive (2W & 4W)	42,656	50,578	61,221	67,516	73,754	13
growth (%)	6.2	18.6	21.0	10.3	9.2	
-OEM	6,281	7,365	9,226	10,663	11,739	17
growth (%)	0.4	17.3	25.3	15.6	10.1	
-Aftermarket	36,375	43,213	51,995	56,853	62,015	13
growth (%)	7.2	18.8	20.3	9.3	9.1	
Industrial	28,841	36,380	42,928	45,933	48,689	10
growth (%)	2.2	26.1	18.0	7.0	6.0	
Total Revenue	71,497	86,958	104,149	113,449	122,443	12
growth (%)	4.5	21.6	19.8	8.9	7.9	

Source: Company, Emkay Research

Exhibit 2: Changes in estimates

(Rs mn)	FY23E				FY24E				FY25E			
	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY
Net Sales	101,248	104,149	2.9	19.8	110,301	113,449	2.9	8.9	119,056	122,443	2.8	7.9
EBITDA	11,542	12,342	6.9	20.7	14,394	15,032	4.4	21.8	15,715	16,407	4.4	9.1
Margin (%)	11.4	11.9	45 bps	9 bps	13.1	13.3	20 bps	140 bps	13.2	13.4	20 bps	15 bps
APAT	6,014	6,483	7.8	26.8	7,886	8,131	3.1	25.4	8,570	8,744	2.0	7.5
EPS (Rs)	35.2	38.0	7.8	26.8	46.2	47.6	3.1	25.4	50.2	51.2	2.0	7.5

Source: Company, Emkay Research

Exhibit 3: Actual vs. Estimates (Q2FY23)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	26,995	25,708	25,756	5.0	4.8	Above estimates due to higher growth in the auto segment
EBITDA	3,602	2,970	2,809	21.3	28.2	Above estimates due to higher-than-expected revenues and gross margin
EBITDA margin (%)	13.3	11.6	10.9	179 bps	244 bps	
Adjusted net profit	2,022	1,567	1,448	29.0	39.6	Above estimates due to higher operating profit

Source: Bloomberg, Company, Emkay Research

Exhibit 4: Quarterly performance

(Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
Revenue	22,642	23,651	21,807	26,200	26,995	19.2	3.0	53,195	41,501	28.2
Expenditure	19,953	20,811	19,608	23,591	23,393	17.2	(0.8)	46,984	36,313	29.4
as % of sales	88.1	88.0	89.9	90.0	86.7			88.3	87.5	
Consumption of RM	15,868	16,619	15,729	19,243	18,766	18.3	(2.5)	38,009	28,865	31.7
as % of sales	70.1	70.3	72.1	73.4	69.5			71.5	69.6	
Employee Cost	1,313	1,293	1,203	1,337	1,506	14.7	12.7	2,843	2,492	14.1
as % of sales	5.8	5.5	5.5	5.1	5.6			5.3	6.0	
Other expenditure	2,772	2,899	2,677	3,012	3,120	12.6	3.6	6,132	4,956	23.7
as % of sales	12.2	12.3	12.3	11.5	11.6			11.5	11.9	
EBITDA	2,689	2,840	2,199	2,609	3,602	33.9	38.1	6,211	5,188	19.7
EBITDA margin (%)	11.9	12.0	10.1	10.0	13.3			11.7	12.5	
Depreciation	986	1,021	987	963	1,019	3.4	5.8	1,983	1,949	1.7
EBIT	1,703	1,819	1,211	1,646	2,583	51.6	57.0	4,228	3,239	30.5
Other Income	264	190	160	170	237	(10.5)	39.3	407	431	(5.6)
Interest	36	38	46	46	54	52.5	18.6	100	67	49.2
PBT	1,932	1,971	1,325	1,770	2,765	43.1	56.3	4,535	3,603	25.9
Total Tax	491	524	340	455	744	51.4	63.4	1,199	922	30.0
Adjusted PAT	1,441	1,447	985	1,315	2,022	40.3	53.8	3,336	2,681	24.5
Extra ordinary items Loss/(Gain)	0	0	0	0	0			0	0	
Reported PAT	1,441	1,447	985	1,315	2,022	40.3	53.8	3,336	2,681	24.5
Adjusted EPS (Rs)	8.4	8.5	5.8	7.7	11.8	40.3	53.8	19.5	15.7	24.5

Source: Company, Emkay Research

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	71,497	86,958	104,149	113,449	122,443
Expenditure	60,340	76,732	91,808	98,417	106,036
EBITDA	11,157	10,226	12,342	15,032	16,407
Depreciation	3,192	3,957	4,231	4,732	5,295
EBIT	7,965	6,269	8,110	10,300	11,112
Other Income	874	780	808	854	879
Interest expenses	105	151	159	166	175
PBT	8,733	6,898	8,760	10,987	11,816
Tax	2,265	1,786	2,278	2,857	3,072
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,468	5,112	6,483	8,131	8,744
Adjusted PAT	6,468	5,112	6,483	8,131	8,744

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	171	171	171	171	171
Reserves & surplus	41,932	45,343	49,881	55,572	61,693
Net worth	42,103	45,514	50,052	55,743	61,864
Minority Interest	0	0	0	0	0
Loan Funds	343	234	115	65	15
Net deferred tax liability	407	314	314	314	314
Total Liabilities	42,853	46,062	50,481	56,122	62,193
Net block	24,548	24,923	26,692	28,960	31,665
Investment	2,805	778	3,278	5,278	7,778
Current Assets	26,625	29,761	33,048	36,180	38,758
Cash & bank balance	1,758	536	156	797	1,010
Other Current Assets	1,204	1,227	1,289	1,353	1,421
Current liabilities & Provision	15,117	17,697	20,833	22,592	24,304
Net current assets	11,508	12,064	12,215	13,588	14,454
Misc. exp	0	0	0	0	0
Total Assets	42,853	46,062	50,481	56,122	62,193

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	7,860	6,118	7,952	10,134	10,937
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,301)	(2,406)	(530)	(733)	(653)
Operating Cashflow	7,147	5,550	9,515	11,424	12,664
Capital expenditure	(4,964)	(7,598)	(6,000)	(7,000)	(8,000)
Free Cash Flow	2,183	(2,048)	3,515	4,424	4,664
Investments	(1,147)	2,505	(2,500)	(2,000)	(2,500)
Other Investing Cash Flow	(239)	273	19	19	19
Investing Cashflow	(5,476)	(4,039)	(7,673)	(8,127)	(9,602)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(125)	(110)	(119)	(50)	(50)
Dividend paid (incl tax)	(854)	(1,708)	(1,945)	(2,439)	(2,623)
Other Financing Cash Flow	261	(848)	0	0	0
Financing Cashflow	(758)	(2,733)	(2,222)	(2,656)	(2,848)
Net chg in cash	913	(1,222)	(380)	641	213
Opening cash position	845	1,758	536	156	797
Closing cash position	1,758	536	156	797	1,010

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	15.6	11.8	11.9	13.3	13.4
EBIT Margin	11.1	7.2	7.8	9.1	9.1
Effective Tax Rate	25.9	25.9	26.0	26.0	26.0
Net Margin	9.0	5.9	6.2	7.2	7.1
ROCE	16.0	11.3	13.3	15.2	14.8
ROE	16.4	11.7	13.6	15.4	14.9
RoIC	19.4	13.1	16.0	18.9	18.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	37.9	29.9	38.0	47.6	51.2
CEPS	56.6	53.1	62.7	75.3	82.2
BVPS	246.5	266.5	293.0	326.3	362.2
DPS	11.0	4.5	11.4	14.3	15.4

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	13.7	17.4	13.7	10.9	10.2
P/CEPS	9.2	9.8	8.3	6.9	6.3
P/BV	2.1	2.0	1.8	1.6	1.4
EV / Sales	1.2	1.0	0.8	0.8	0.7
EV / EBITDA	7.6	8.6	7.2	5.8	5.3
Dividend Yield (%)	2.1	0.9	2.2	2.7	3.0

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.1)	0.0	0.0	0.0	0.0
Net Debt/EBIDTA	(0.4)	(0.1)	0.0	(0.1)	(0.1)
Working Cap Cycle (days)	49.8	48.4	42.3	41.2	40.1

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	4.5	21.6	19.8	8.9	7.9
EBITDA	1.6	(8.3)	20.7	21.8	9.1
EBIT	(0.2)	(21.3)	29.4	27.0	7.9
PAT	(2.1)	(21.0)	26.8	25.4	7.5

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	22,642	23,651	21,807	26,200	26,995
EBITDA	2,689	2,840	2,199	2,609	3,602
EBITDA Margin (%)	11.9	12.0	10.1	10.0	13.3
PAT	1,441	1,447	985	1,315	2,022
EPS (Rs)	8.4	8.5	5.8	7.7	11.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	28.1	28.1	28.1	28.1	28.1
FII	20.8	19.8	18.1	18.3	18.5
DII	14.5	11.7	11.4	10.8	10.0
Public and Others	36.6	40.5	42.5	42.8	43.5

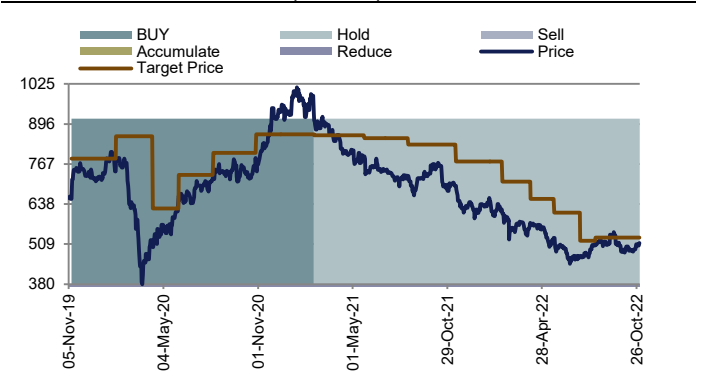
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
09-Oct-22	501	530	12m	Hold	Raghunandhan NL
08-Aug-22	510	530	12m	Hold	Raghunandhan NL
10-Jul-22	466	520	12m	Hold	Raghunandhan NL
21-May-22	529	610	12m	Hold	Raghunandhan NL
06-Apr-22	574	655	12m	Hold	Raghunandhan NL
24-Feb-22	524	710	12m	Hold	Raghunandhan NL
11-Feb-22	608	710	12m	Hold	Raghunandhan NL
14-Nov-21	697	775	12m	Hold	Raghunandhan NL
15-Aug-21	729	830	12m	Hold	Raghunandhan NL
02-Jul-21	747	850	12m	Hold	Raghunandhan NL
18-Jun-21	748	850	12m	Hold	Raghunandhan NL
16-Jun-21	772	850	12m	Hold	Raghunandhan NL
01-Jun-21	739	850	12m	Hold	Raghunandhan NL
30-May-21	744	850	12m	Hold	Raghunandhan NL
23-May-21	792	850	12m	Hold	Raghunandhan NL
16-Feb-21	908	860	12m	Hold	Raghunandhan NL
28-Oct-20	746	863	12m	Buy	Raghunandhan NL
11-Oct-20	741	803	12m	Buy	Raghunandhan NL
28-Sep-20	747	803	12m	Buy	Raghunandhan NL
07-Aug-20	718	803	12m	Buy	Raghunandhan NL
29-Jun-20	641	732	12m	Buy	Raghunandhan NL
02-Jun-20	665	732	12m	Buy	Raghunandhan NL
04-May-20	551	624	12m	Buy	Raghunandhan NL
29-Apr-20	540	624	12m	Buy	Raghunandhan NL
13-Apr-20	499	624	12m	Buy	Raghunandhan NL
27-Feb-20	681	856	12m	Buy	Raghunandhan NL
14-Feb-20	756	856	12m	Buy	Raghunandhan NL
03-Feb-20	786	856	12m	Buy	Raghunandhan NL
27-Dec-19	716	784	12m	Buy	Raghunandhan NL
27-Nov-19	763	784	12m	Buy	Raghunandhan NL
10-Nov-19	654	784	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	5.03	5.03	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.02	NA	2	0.49	0
Ashok Leyland	0.20	0.22	8%	2	4.27	0
Atul Auto	0.00	0.02	NA	2	0.48	0
Bajaj Auto	0.45	0.25	-45%	-20	4.98	0
Bharat Forge	0.20	0.12	-42%	-9	2.31	0
Eicher Motors	0.48	0.48	0%	0	9.61	0
Escorts	0.00	0.02	NA	2	0.45	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.32	0.34	7%	2	6.78	0
Mahindra & Mahindra	1.20	1.23	2%	2	24.38	0
Maruti Suzuki India	1.14	1.16	2%	2	23.03	0
Minda Industries*	0.00	0.02	NA	2	0.46	0
Motherson Sumi Wiring India	0.00	0.02	NA	2	0.45	0
Samvardhana Motherson International	0.00	0.02	NA	2	0.42	0
Suprajit Engineering	0.00	0.02	NA	2	0.45	0
Tata Motors	0.69	0.70	2%	1	13.96	0
Tata Motors DVR*	0.11	0.12	7%	1	2.34	0
TVS Motor	0.24	0.26	9%	2	5.13	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	2-Nov-21	2-May-22	2-Aug-22	30-Sep-22	2-Nov-22
EAP - Auto & Auto Ancillaries	100.0	137.9	131.1	157.3	152.8	161.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	136.9	130.6	156.9	151.8	160.5

*Performance measurement base date 1st April 2019

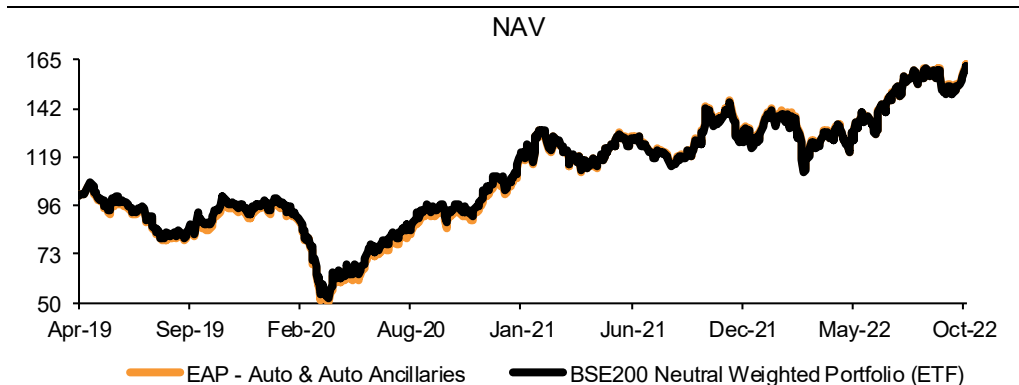
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	5.4%	2.3%	22.8%	16.8%
BSE200 Neutral Weighted Portfolio (ETF)	5.7%	2.3%	22.9%	17.2%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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