

Amara Raja Energy & Mobility Ltd.

BUY

Sector: Auto Ancillaries

18th March 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.1,160
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	ARENM:IN	74,170	ARE&M	500008	12 Months
				CMP	Rs. 970
				Return	+20%

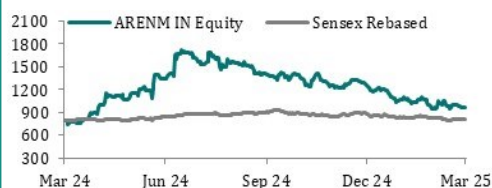
Data as of:17-03-2025

Company Data			
Market Cap (Rs.cr)	18,156		
52 Week High - Low (Rs.)	1,775-738		
Enterprise Value (Rs.cr)	18,363		
Outstanding Shares (cr)	18.3		
Free Float (%)	67.1		
Dividend Yield	1.0		
6m average volume (cr)	0.07		
Beta	1.4		
Face value Rs.	1		

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	32.9	32.9	32.9
FII's	23.8	22.3	21.8
MFs/Insti	14.5	15.2	14.5
Public	28.8	29.6	30.8
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-20.0%	-27.8%	25.8%
Absolute Sensex	-6.4%	-9.8%	3.2%
Relative Return	-13.6%	-18.0%	22.6%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	12,517	13,797	15,247
Growth (%)	11.2	10.2	10.5
EBITDA	1,740	1,890	2,074
EBITDA Margin (%)	13.9	13.7	13.6
Adj. PAT	949	1,064	1,177
Growth (%)	4.8	12.1	10.6
Adj. EPS	51.9	58.1	64.3
Growth (%)	4.8	12.1	10.6
P/E	18.7	16.7	15.1
P/B	2.2	2.0	1.8
EV/EBITDA	9.6	8.8	8.1
ROE (%)	13.2	13.2	13.1
D/E	0.1	0.1	0.1

Author: Saji John - Sr. Research Analyst

Long term growth story to remain intact.

Amara Raja Energy & Mobility Ltd. (ARE&M), the flagship company of the Amara Raja Group, is one of the largest manufacturers of lead-acid batteries. Its segments comprise 70% automotive & the remaining industrial, with market dominance in the telecom segment.

- We expect the demand for lead-acid business to continue for near term due to change in OEM uptick in lithium ion batteries. The lead-acid business contributes 96% of total revenue, registering a growth of 9% YoY.
- ARE&M, Q3FY25 revenue grew by 7.5%YoY on the back of volume growth in the aftermarket & OEM segments. Industrial battery volume saw a moderate growth driven by muted recovery in telecon and UPS segments.
- EBITDA margin contracted by 195bps, largely due to higher operating costs in sourcing metals and power from a revision by the Andhra Pradesh govt. The company expects to mitigate the power cost through increased renewable energy usage in the future
- Investment for technological upgrades in the lithium ion project for 2W/3W batteries is progressing as per schedule, and have initiated supplying lithium battery packs for 3W applications.
- However, recovery in the new business progress have faced near term challenges like pricing pressure, volatility in raw material price and potential oversupply, resulted in valuation correction. We anticipate, continuous localisation efforts and synergies with OEMs enhance commercial production ramp-ups.

Outlook & Valuation

We believe the tie up with Gotion, china to develop a fully indigenous 16GWH Lithium ferrophosphate (LFP) battery this decade at Rs. 9,500 cr. investment to cater to both the Indian and overseas market will support the overall valuation. In addition, the 2W sector is likely to show stability in H1FY25 owing to a strong rebound in the overall domestic volume. On a 1 year fwd basis, the stock has corrected significantly due to external headwinds and currently trading near to its all time avg. **We value ARE&M on SOTP with 16x EPS (Standalone) at Rs.1,029/ share, new mobility & energy investments at Rs.131 per share, with a target price of Rs. 1,160/share and reiterate our Buy rating at CMP.**

Quarterly Financials (Standalone)

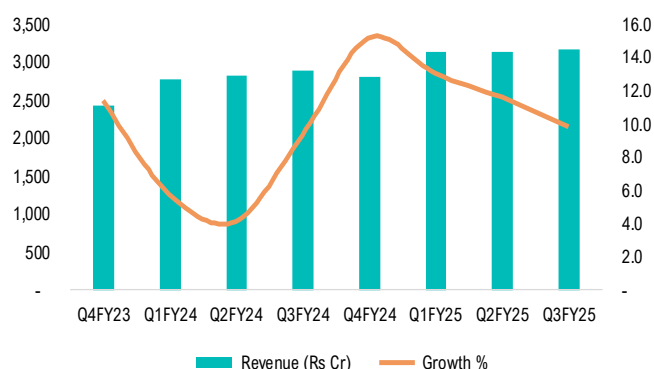
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	3,164	2,882	9.8	3,136	0.9	9,431	8,463	11.4
EBITDA	416	435	-4.4	441	-5.6	1,287	1,191	8.1
Margin (%)	13.1	15.1	-195bps	14.1	-91bps	13.6	14.1	-43bps
EBIT	292	315	-7.0	319	-8.2	923	839	10.1
PBT	422	331	27.6	324	30.3	1,075	890	20.7
Rep. PAT	312	253	23.4	241	29.5	797	666	19.7
Adj PAT	201	253	-20.6	241	-16.6	686	666	3.0
EPS (Rs)	11.0	13.8	-20.6	13.2	-16.6	37.5	36.4	3.0



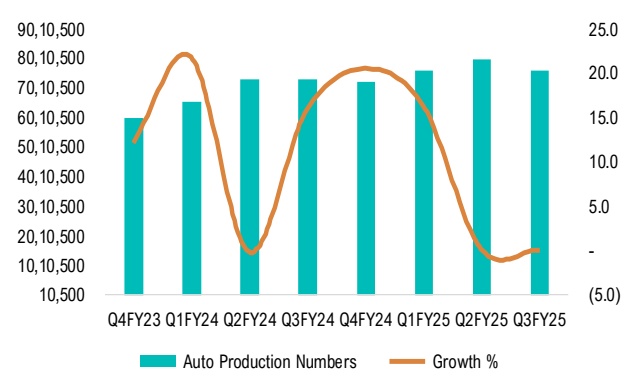
Key Concall Highlights

- Construction of the lithium-ion plant under Exide Energy Solutions Limited is almost complete. A significant investment of ₹550 crore has been made this fiscal year, bringing the total investment to ₹2,852 crore. Production is expected to commence by mid-2025, followed by a stabilization period and customer approvals.
- The lead-acid business is expected to perform well in the near to medium term. A recovery is anticipated in the auto OEM and Telecom segments during the second half of the year. However, the Telecom sector is experiencing weak demand due to a high base from last year and a transition to lithium-ion batteries. Meanwhile, demand from auto OEMs has been modest due to increased channel inventories and production cuts.
- Targeting 13% EBITDA margin in the near term and 14% in the long term. Enhancing operational efficiencies through cost excellence projects. Optimizing product mix and focusing on profitable exports.
- Healthy order bookings in industrial infrastructure sectors (Power, Railways, Traction). Robust export demand, both in existing and new markets.
- Continued strong growth is expected in aftermarket demand due to rural consumption patterns shifting favourably towards organised brands. The 2/4W replacement markets experienced healthy demand, leading to double-digit sales growth.

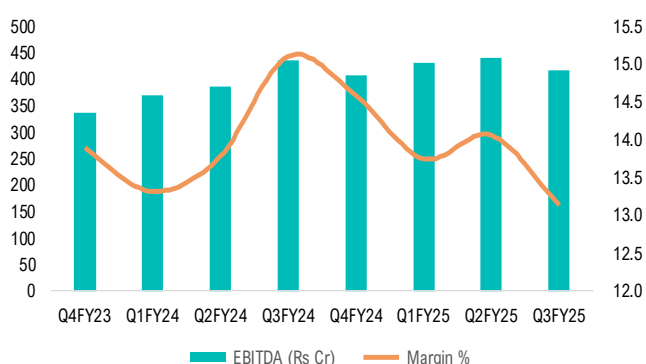
Revenue



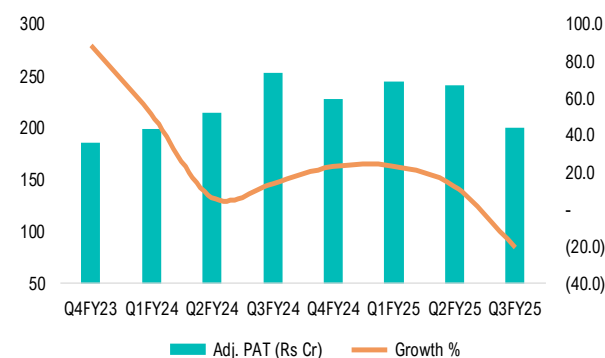
Auto Production Numbers



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	12,447	13,727	12,517	13,797	0.6	0.5
EBITDA	1,768	1,963	1,740	1,890	-1.6	-3.7
Margins (%)	14.2	14.3	13.9	13.7	-30bps	-60bps
Adj. PAT	1,007	1,127	949	1,064	-5.8	-5.6
EPS	55.0	61.6	51.9	58.1	-5.8	-5.6



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	10,390	11,260	12,517	13,797	15,247
% change	19%	8%	11%	10%	11%
EBITDA	1,435	1,621	1,740	1,890	2,074
% change	40%	13%	7%	9%	10%
Depreciation	442	469	476	523	563
EBIT	985	1,143	1,252	1,353	1,493
Interest	30	33	48	70	74
Other Income	90	102	100	138	152
PBT	997	1,211	1,415	1,421	1,571
% change	44%	21%	17%	0%	11%
Tax	266	305	355	357	394
Tax Rate (%)	27%	25%	25%	25%	25%
Reported PAT	731	906	1,060	1,064	1,177
Adj*	48	0	-111	0	0
Adj PAT	778	906	949	1,064	1,177
% change	52%	16%	5%	12%	11%
No. of shares (cr)	17.1	17.1	18.3	18.3	18.3
Adj EPS (Rs.)	42.5	49.5	51.9	58.1	64.3
% change	52%	16%	5%	12%	11%
DPS (Rs.)	10.0	10.0	10.0	10.0	10.0
CEPS (Rs.)	71.9	81.1	78.5	87.5	96.0

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,439	1,680	1,892	1,944	2,134
Non-cash adj.	-258	-296	-343	-342	-376
Changes in W.C	-620	-20	36	-182	-206
C.F. Operation	561	1,365	1,585	1,420	1,552
Capital exp.	-815	-601	-601	-601	-601
Change in inv.	-13	49	-146	-1,255	-743
Other invest.CF	0	0	0	0	0
C.F – Investment	-408	-1,946	-1,416	-1,706	-1,692
Issue of equity	0	0	1	0	0
Issue/repay debt	-7	37	105	-6	25
Dividends paid	-95	-171	-183	-183	-183
Other finance.CF	870	16	-7	-7	-8
C.F – Finance	768	-118	-84	-196	-166
Chg. in cash	922	-700	85	-482	-306
Closing cash	966	266	351	-132	-437

BALANCE SHEET

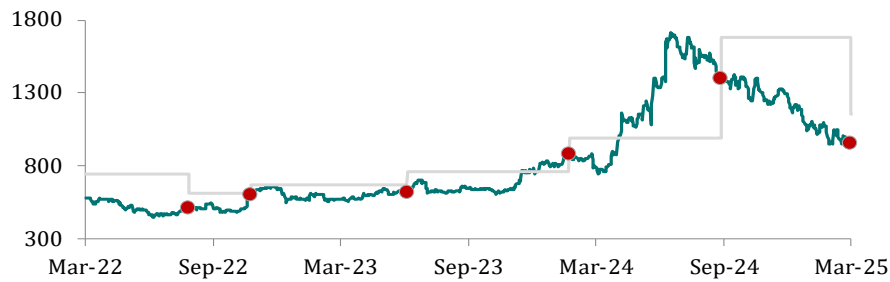
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	966	266	351	-132	-437
Accounts Receivable	780	1,017	1,029	1,134	1,253
Inventories	1,643	1,810	1,971	2,178	2,411
Other Cur. Assets	1,072	554	617	680	752
Investments	224	1,479	2,222	3,246	4,246
Gross Fixed Assets	5,207	5,807	6,407	7,007	7,607
Net Fixed Assets	2,831	3,008	3,171	3,287	3,363
CWIP	233	250	250	250	250
Intangible Assets	69.09	87.02	109.18	137.00	171.53
Def. Tax (Net)	-73	-88	-81	-74	-66
Other Assets	0	0	0	0	0
Total Assets	7,745	8,382	9,638	10,707	11,943
Current Liabilities	689	445	580	641	709
Provisions	272	292	343	378	418
Debt Funds	17	53	158	152	177
Other Liabilities	7	27	127	152	177
Equity Capital	17	17	18	18	18
Reserves & Surplus	6,000	6,735	7,612	8,493	9,486
Shareholder's Fund	6,017	6,752	7,630	8,511	9,505
Total Liabilities	7,745	8,382	9,638	10,707	11,943
BVPS (Rs.)	352	395	447	498	556

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.8	14.4	13.9	13.7	13.6
EBIT margin (%)	9.5	10.1	10.0	9.8	9.8
Net profit mgn.(%)	7.5	8.0	7.6	7.7	7.7
ROE (%)	14.7	14.2	13.2	13.2	13.1
ROCE (%)	13.1	12.8	12.1	12.3	12.2
W.C & Liquidity					
Receivables (days)	27.6	29.1	29.8	28.6	28.6
Inventory (days)	89.9	83.6	81.5	80.9	80.9
Payables (days)	36.7	27.5	22.1	23.8	23.8
Current ratio (x)	4.6	4.9	4.3	3.8	3.5
Quick ratio (x)	2.5	2.9	2.4	1.6	1.2
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.0	2.0	2.1	2.1
Total asset T.O (x)	1.5	1.4	1.4	1.4	1.3
Int. coverage ratio (x)	33.3	34.4	26.3	19.4	20.1
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.6	1.5	1.3	1.2	1.1
EV/EBITDA (x)	11.6	10.3	9.6	8.8	8.1
P/E (x)	22.8	19.6	18.7	16.7	15.1
P/BV (x)	2.8	2.5	2.2	2.0	1.8



Recommendation Summary (Last 3 years)



Dates	Rating	Target
14.Dec.21	Buy	741
12.Aug.22	Buy	615
08.Nov.22	Accumulate	670
21.Jun.23	Buy	762
08.Feb.24	Accumulate	990
13.Sep.24	Buy	1,682
18.Mar.25	Buy	1,160

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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