



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Amara Raja Energy & Mobility Ltd consolidated revenue for Q1FY25 is at ₹ 3136 crore. +11.56% YoY & +0.16% QoQ
- Operating profit for Q1FY25 is at ₹441 crore. +7.56% YoY & +2.56% QoQ
- EBITDA Margins Q1FY25 is at 14.06%. -52 bps YoY & 33 bps QoQ
- PAT for Q1FY25 is at ₹ 241 crores. +6.64% YoY & -1.63% QoQ
- PAT Margin for Q1FY25 is at 7.68%. -35 bps YoY & -14 bps QoQ

2. MANAGEMENT COMMENTARY:

- Co. reported a consolidated revenue of ₹3,250 crore for Q2 FY25, with a 10% year-on-year growth driven mainly by the lead-acid battery business.
- The lithium battery business targets profitability only at an 8 GWh production level, with an EBITDA margin of 11-12% achievable through operational efficiency and material cost control.

3. SEGMENTAL ANALYSIS:

- Q2FY25 Revenue Break: Lead Acid Battery (96.90%), Other Business (3.10%)
- Q2FY25 Segment Result: Lead Acid Battery (104.74%), Other Business (-4.73%)

4. CONCALL SUMMARY

- Four-wheeler battery sales showed strong aftermarket growth of 15% and export growth of 20%, while OEM volumes declined by 3%.
- The two-wheeler segment witnessed a 17% growth in volume across both OEM and aftermarket channels.
- Limited growth was observed in the EV and ESS battery segments due to delays in OEM offtake and inventory adjustments, with efforts underway to address these challenges.
- Commenced lead refining operations at its Tamil Nadu recycling plant, targeting a 2-3% improvement in lead recovery to reduce material costs.
- The tubular battery facility is nearing completion, with commercial production planned for February/March FY25, aiming to transition significant trading volumes into in-house production.
- Margins were impacted by higher trading revenue, alloy price hikes, and currency fluctuations, but recovery is expected with in-house manufacturing and softened lead prices.

5. OTHER DEVELOPMENTS:

- Hyundai Motor India (HMIL) will use AMARON's Made-in-India AGM batteries for SLI applications, sourced through its ongoing partnership with Amara Raja Energy & Mobility (ARE&M).
- Investments in the lithium battery business have reached ₹850 crore, with an additional ₹500-600 crore planned for H2 FY25, focusing on LFP technology for EV applications.
- Amara Raja is on track to meet regulatory battery recycling targets, which increased from 50% last year to 70% in FY25 and will rise to 90% by FY26.

6. VALUATION & OUTLOOK:

Amara Raja's steady growth is underpinned by its lead-acid battery dominance and expanding export markets. Investments in EV and ESS batteries position it for future growth, though profitability in the lithium segment hinges on reaching 8 GWh production with 11-12% EBITDA margins. The recycling plant and tubular battery production will enhance efficiency and margins, supporting long-term value creation. With strong fundamentals and diversification, the company remains well-positioned for sustainable returns. We reiterate a "BUY" rating on the stock & value the stock at 19x FY26E earnings to arrive at the target of ₹1,395.

RECOMMENDATION - BUY

CMP – 1,194

TARGET – 1,395 (~ 17%)

Industry	Batteries
NSE CODE	ARE&M
BSE CODE	543720
Market Cap (₹ Cr)	22,338
Shares O/S (in Cr)	18.30
52 wk High/Low (₹)	1775.95 / 728.5
P/E	22.04
P/BV	2.94
Face Value (₹)	1
Book Value (₹)	396.98
EPS (FY23) (₹)	51.06
Dividend Yield (%)	1.30
Debt / Equity	0.01
Interest Coverage	37.38

SHAREHOLDING PATTERN

	Sep 24	Jun 24	Mar 24
Promoters	32.86	32.86	32.86
MF/ DII	6.25	4.95	4.45
FII/FPI	22.33	23.84	24.45
Retail & Others	29.44	28.75	27.33
Promoter Pledging	0	0	0

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Cre			
Sales	11708.4	13874.5	16510.7
Sales Gr. (%)	12.70%	18.50%	19.00%
EBITDA	1657.3	1984.1	2443.6
EBITDA %	14.62%	14.30%	14.80%
PAT	934.4	1103.3	1343.5
EPS (₹)	51.1	60.3	73.4
EPS Gr. (%)	19.32%	18.08%	21.76%
Ratios			
RoE (%)	15.40%	15.07%	15.73%
RoCE (%)	19.81%	18.96%	19.99%
Valuation			
P/E (x)	14.9	19.8	16.3

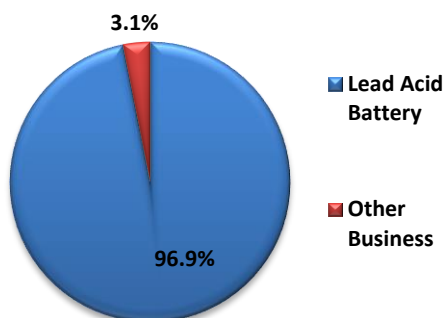
Historical & Industrial Val Ratios

Historical P/E	23.05
Industry P/E	34.09
Historical P/B	3.07
Industry P/B	3.55

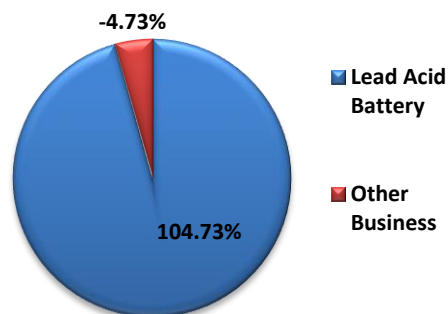


Segment Analysis (Q2FY25)

Revenue Mix (Q2 FY25)



Segment Result (Q2 FY25)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24				FY25		FY25	FY26
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Net sales	2637.8	2433.2	2796.3	2959.7	3043.9	2907.9	3263.1	3250.7	13,874.5	16,510.7
YoY change (%)	11.5%	11.6%	6.7%	9.6%	15.4%	19.5%	16.7%	9.8%	18.5%	19.0%
Total Expenditures	2243.2	2080.0	2429.0	2534.4	2613.4	2497.5	2825.9	2818.1	11,890.4	14,067.1
EBITDA	394.6	353.3	367.3	425.3	430.6	410.3	437.2	432.7	1,984.1	2,443.6
Margins (%)	15.0%	14.5%	13.1%	14.4%	14.1%	14.1%	13.4%	13.3%	14.3%	14.8%
Depreciation	114.5	123.8	117.2	121.5	116.4	123.4	122.6	127.5	570.2	708.3
Interest	5.8	8.1	7.6	8.2	5.9	10.9	9.4	13.6	36.1	38.6
Other income	26.5	24.8	23.6	29.4	24.1	33.3	29.6	25.5	93.3	94.6
PBT	300.8	198.5	266.1	325.1	332.3	309.4	334.7	317.1	1,471.1	1,791.3
Tax	78.9	56.1	67.8	86.7	77.6	79.6	85.6	81.5	367.8	447.8
Rate (%)	26.2%	28.3%	25.5%	26.7%	23.3%	25.7%	25.6%	25.7%	25.0%	25.0%
Adjusted PAT	221.9	142.4	198.3	238.4	254.8	229.8	249.1	235.6	1,471.1	1,791.3

Key Performance Indicators

RM Cost (% of Sales)	69.16%	59.50%	53.59%	61.69%	65.73%	55.25%	51.88%	56.47%
Staff Cost (% of Sales)	6.09%	6.66%	6.42%	6.29%	5.81%	6.04%	6.18%	6.41%
Interest Cost (% of Sales)	0.22%	0.33%	0.27%	0.28%	0.19%	0.37%	0.29%	0.42%
EBITDA Margin (%)	14.96%	14.52%	13.14%	14.37%	14.14%	14.11%	13.40%	13.31%
PAT Margin (%)	8.41%	5.85%	7.09%	8.05%	8.37%	7.90%	7.63%	7.25%

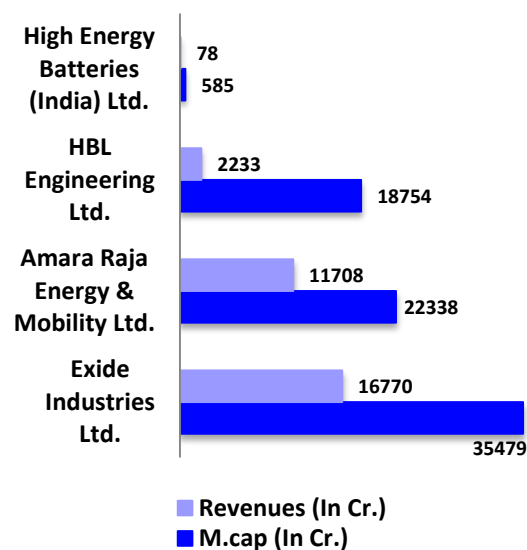
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- **Indian Automotive Industry Growth:** The industry is expected to grow from USD 222 billion to USD 300 billion by 2030, driven by increasing vehicle penetration and rising consumer demand among India's young demographic.
- **Battery Market Expansion:** India's battery market is projected to reach USD 15.65 billion by 2029, growing at a CAGR of 16.8%, fueled by EV adoption and advancements in energy storage technologies.
- **FAME India Scheme Impact:** Government incentives under the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India (FAME) scheme are accelerating EV adoption, creating strong demand for EV batteries and charging infrastructure.
- **Export Opportunities:** India's emergence as a manufacturing hub, supported by the China+1 strategy, is boosting export opportunities for automotive and industrial battery solutions.
- **Lithium-ion Transition:** Increasing adoption of lithium-ion batteries for telecom and energy storage systems is reshaping the market, while lead-acid batteries maintain relevance for cost-sensitive applications.
- **Sustainability and Circular Economy:** With 83% of lead sourced from recycling and initiatives like Zero Liquid Discharge systems, the industry is moving towards eco-friendly operations and achieving net-zero emissions targets by 2050.
- **Government Support:** Production-linked incentives (PLI) and Make-in-India initiatives are strengthening domestic manufacturing, while policies like mandatory end-of-life vehicle recycling are creating new market dynamics for replacements.

KEY PLAYERS in Textile Space



PEER PERFORMANCE

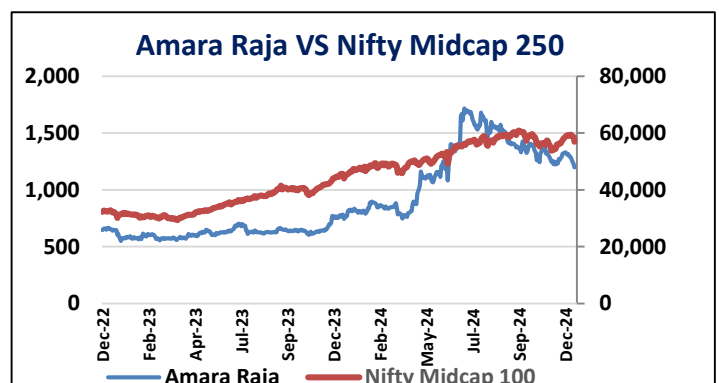
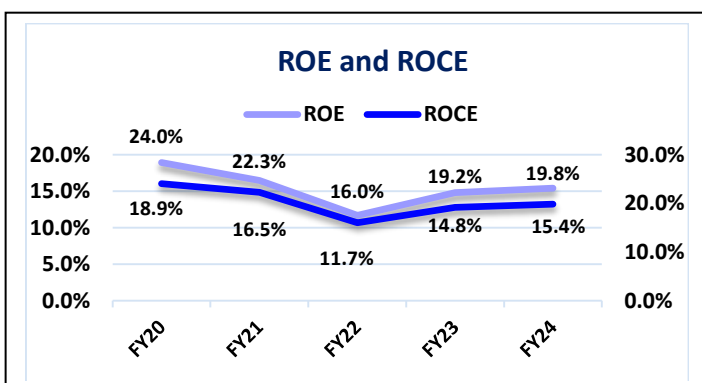
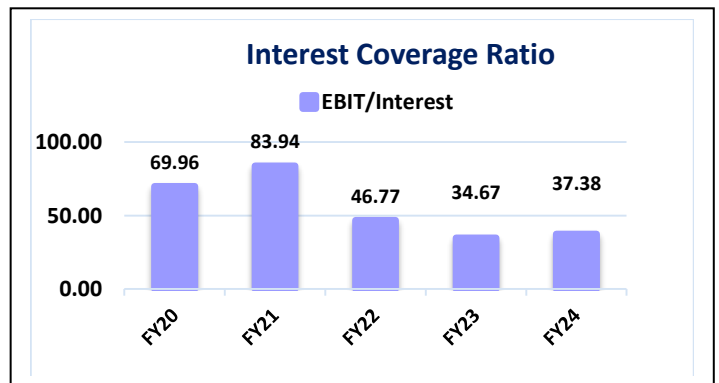
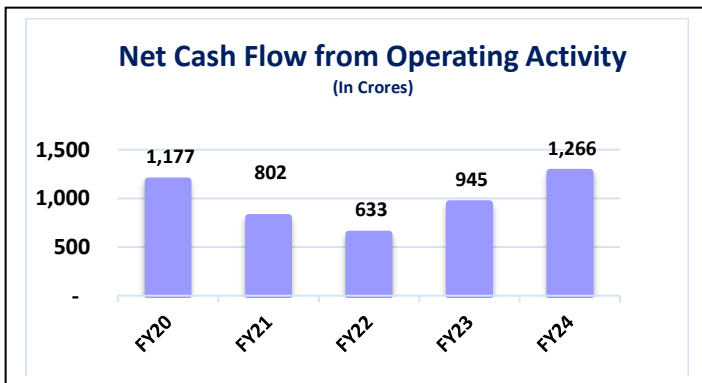
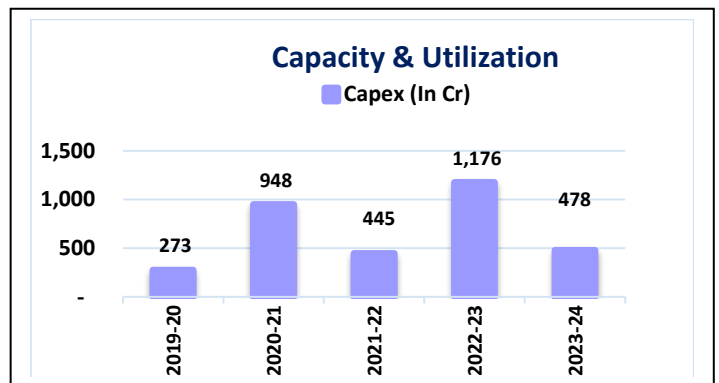
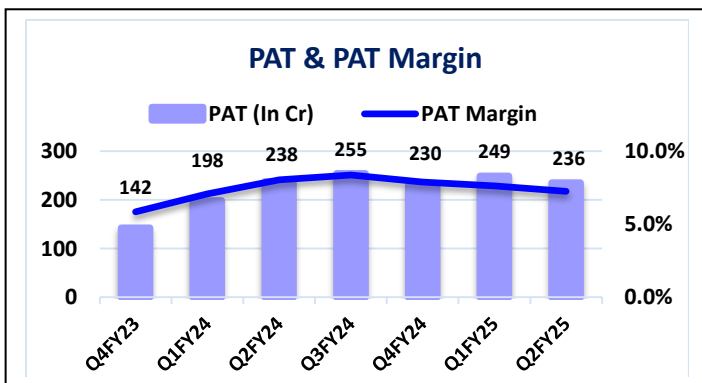
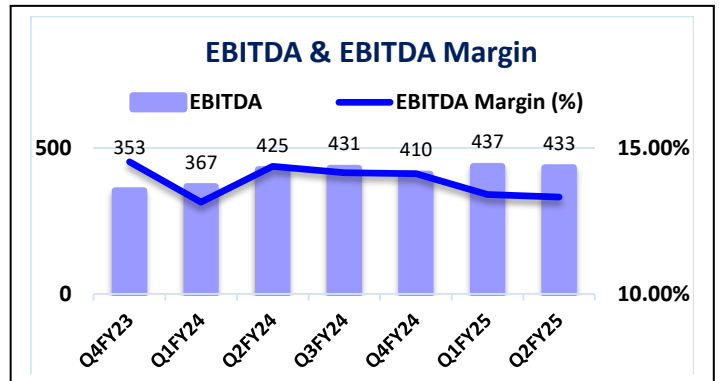
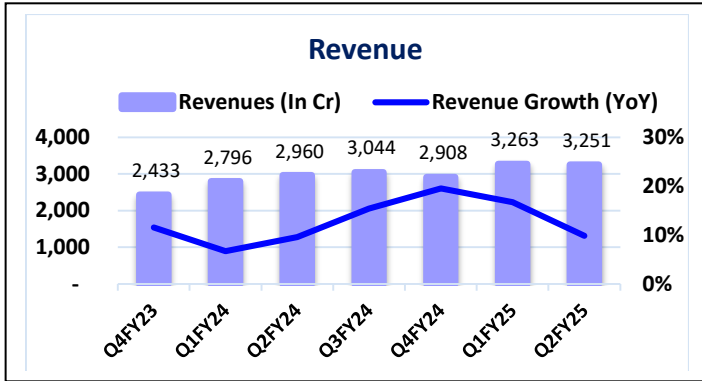
(₹ Cr)

Particulars	Amara Raja Energy & Mobility Ltd.	Exide Industries Ltd.	HBL Engineering Ltd.	High Energy Batteries (India) Ltd.
Market Cap	22338	35479	18754	585
Net Sales	11708	16770	2233	78
EBITDA	1,657.3	1,821.2	423.5	20.7
PAT	934.4	876.7	280.9	17.2
EPS(Rs)	51.1	10.3	10.1	19.1
EBITDA MARGIN %	14.62%	11.40%	19.76%	33.33%
PAT MARGIN %	7.72%	5.26%	12.55%	21.96%
ROCE %	19.81%	10.81%	33.76%	26.85%
ROE %	15.40%	7.35%	25.81%	21.29%
P/E TTM	22.04	42.42	53.42	44.93
P/B TTM	2.94	2.57	12.76	6.32
Dividend Yield %	0.8	0.5	0.1	0.5
MCap/ Sales TTM	1.8	2.2	8.3	8.5

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- **Market Leadership:** Amara Raja maintains a dominant position in the lead-acid battery market across automotive and industrial segments, bolstered by strong brand recognition and technological advancements.
- **Diversified Product Portfolio:** The Company offers an extensive range of batteries, including VRLA, AGM, and lithium-ion variants, catering to diverse sectors such as automotive, telecom, UPS, and EVs, showcasing adaptability to evolving market needs.
- **Margin Improvement:** Efforts to reduce costs via increased in-house manufacturing (e.g., tubular batteries), lead recycling, and supply chain optimizations are expected to improve EBITDA margins by 2-5% over the next few quarters.
- **Capex Plans:** Investment guidance includes approximately ₹1,200 crores for the Giga Corridor and related lithium-ion initiatives in FY25, with incremental investments planned for FY26 to support scaling advanced chemistry cell manufacturing.
- **Expansion in New Energy Sector:** The Company is rapidly growing its lithium-ion battery and EV charger business, supported by strategic investments in the Giga Corridor project and partnerships in the EV ecosystem.
- **OEM Partnerships and Collaborations:** Continued focus on building partnerships with marquee OEMs for both lead-acid and lithium-ion solutions, targeting deeper penetration in the passenger and light EV markets.

RISK / NEGATIVE FACTORS:

- **Raw Material Price Volatility:** The Company's dependence on lead and other critical raw materials makes it susceptible to price fluctuations in global commodity markets. Changes in lead and alloy prices have historically impacted margins and could continue to pose a challenge.
- **Regulatory and Environmental Compliance:** Increasingly stringent regulations on battery recycling and environmental norms, such as achieving 90% battery collection by next year, require significant investments in infrastructure and process compliance. Non-compliance could result in penalties and reputational risks.
- **Technology Transition Risks:** The shift from lead-acid batteries to lithium-ion and other advanced chemistries poses a dual risk: potential underutilization of lead-acid facilities and the challenge of scaling up new technologies, such as NMC and LFP chemistries, amidst market uncertainties.
- **Competitive Pressure and Market Dynamics:** The battery industry is becoming increasingly competitive, with domestic and international players investing heavily in new energy technologies. Amara Raja's ability to maintain its market share amidst evolving customer preferences and price wars remains a key risk.

COMPANY RECAP

- **Market Leadership:** Amara Raja is a leading player in India's battery industry, specializing in automotive and industrial lead-acid batteries under well-known brands like Amaron® and PowerZone®. The company is also expanding into lithium-ion batteries and energy storage solutions.
- **Global Presence and Diversification:** With exports to over 50 countries and a broad product portfolio spanning automotive, telecom, UPS, and EVs, the company has established a robust global footprint and continues to drive innovation in energy and mobility.
- **Commitment to Sustainability and Innovation:** Guided by a vision for net-zero emissions by 2050, Amara Raja integrates ESG principles across operations, invests in advanced technologies like the Giga Corridor for lithium-ion cells, and focuses on sustainable practices like battery recycling.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Net Sales	6,839.2	7,149.8	8,697.2	10,392.0	11,708.4	13874.5	16510.7
Growth YoY (%)	0.68%	4.54%	21.64%	19.49%	12.67%	18.50%	19.00%
Total Expenditure	5,740.9	6,035.1	7,674.8	8,961.5	10,051.1	11890.4	14067.1
(%) of sales	83.94%	84.41%	88.24%	86.23%	85.85%	85.70%	85.20%
EBITDA	1,098.3	1,114.7	1,022.4	1,430.5	1,657.3	1984.1	2443.6
Depreciation	300.7	319.2	395.7	450.4	484.3	570.16	708.25
Interest Expenses	12.2	10.5	15.1	29.6	34.4	36.09	38.61
Other Income	55.3	88.4	79.5	93.8	111.6	93.3	94.6
Earnings before Taxes	840.7	873.4	691.1	996.7	1,250.2	1,471.13	1,791.27
Pre Tax Margin (%)	12.29%	12.22%	7.69%	9.23%	10.33%	10.60%	10.85%
Tax-Total	179.9	226.5	178.6	265.8	315.8	367.78	447.82
Tax Rate (%)	21.40%	25.94%	25.83%	26.67%	25.26%	25%	25%
Net Profit	660.8	646.8	512.6	730.8	934.4	1,103.34	1,343.45
PAT Growth (%)	36.75%	-2.11%	-20.76%	42.58%	27.85%	18.08%	21.76%
PAT Margin (%)	9.7%	9.0%	5.7%	6.8%	7.7%	7.9%	8.1%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0	0
Adjusted PAT	660.8	646.8	512.6	730.8	934.4	1,103.34	1,343.45
EPS	38.7	37.9	30.0	42.8	51.1	60.29	73.41
EPS Growth (%)	36.75%	-2.11%	-20.76%	42.58%	19.33%	18.08%	21.76%

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	17	17	17	17	18
Reserves	3,639	4,193	4,534	5,989	6,750
Borrowings	84	92	126	201	153
Other Liabilities	1,261	1,494	1,699	1,730	1,913
Total Liabilities & Equity	5,001	5,797	6,376	7,937	8,834
Fixed Assets	1,829	2,455	2,492	3,688	3,550
CWIP	827	399	830	234	322
Investments	156	281	78	486	1,479
Other Assets	2,188	2,662	2,976	3,529	3,483
Total Assets	5,001	5,797	6,376	7,937	8,834

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	9.66%	9.05%	5.71%	6.77%	7.72%
EBITDA margin (%)	16.87%	16.83%	12.27%	14.12%	14.62%
EBIT margin (%)	12.47%	12.36%	7.86%	9.51%	10.62%
ROE (%)	18.91%	16.45%	11.70%	14.78%	15.40%
ROCE (%)	24.04%	22.25%	16.01%	19.19%	19.81%
Working Capital & liquidity ratios					
Payables (Days)	46.2	52.4	46.3	40.8	37.5
Inventory (Days)	58.8	65.9	65.9	59.8	55.5
Receivables (Days)	37.5	36.3	32.1	28.4	30.5
Current Ratio (x)	2.0	2.1	1.9	2.3	2.2
Valuations Ratios					
EV/sales (x)	1.2	2.0	1.0	1.0	1.2
EV/EBITDA (x)	7.0	12.0	8.3	6.5	7.8
P/E (x)	12.4	22.5	17.9	13.5	14.9
P/BV (x)	2.2	3.5	2.0	1.9	2.0
Dividend Yield (%)	2.30%	1.29%	0.84%	1.05%	1.30%
Return on Assets (%)	13.92%	11.98%	8.42%	10.19%	11.03%
Leverage Ratio					
Debt/Equity (x)	0.01	0.01	0.01	0.02	0.01

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
Profit Before Tax	840.66	873.35	691.12	996.65	1250.22
Adjustments	283.36	258.32	383.09	499.37	463.3
Changes In working Capital	288.91	-129.94	-241.61	-295	-109.23
CF from Operating activities (A)	1176.56	802.21	633.26	944.66	1266.02
CF from Investing Activities (B)	-849.36	-634.97	-481.89	-772.92	-1020.12
CF from Financing Activities (C)	-363.79	-121.5	-213.48	-111.92	-242.49
Net Cash Inflow / Outflow	-36.59	45.74	-62.11	59.82	3.41
Add: Opening Bal.	50.23	32.62	96.93	34.86	94.87
Closing Balance	32.62	96.93	34.86	94.87	98.34

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
24 Dec 2024	Buy	1,395

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Name of the Research Analyst: Mohit Arora

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company (ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.