

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	1,508
12 month price target (INR)	1,980
52 Week High/Low	1,776/599
Market cap (INR bn/USD bn)	276/3.3
Free float (%)	67.0
Avg. daily value traded (INR mn)	3,820.1

SHAREHOLDING PATTERN

	Jun-24	Mar-24	Dec-23
Promoter	32.86%	32.86%	28.06%
FII	23.84%	24.46%	24.00%
DII	14.55%	15.36%	17.91%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

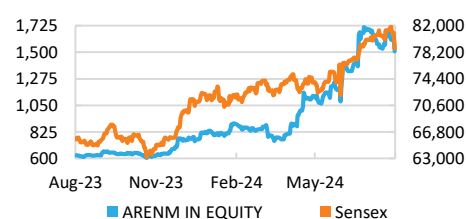
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	112,153	122,077	132,805	143,204
EBITDA	15,764	18,108	19,832	21,528
Adjusted profit	8,609	9,621	10,019	10,965
Diluted EPS (INR)	47.0	52.6	54.7	59.9
EPS growth (%)	2.7	11.8	4.1	9.4
RoAE (%)	13.5	13.5	12.9	12.9
P/E (x)	32.1	28.7	27.6	25.2
EV/EBITDA (x)	16.3	14.6	13.4	12.4
Dividend yield (%)	0.3	1.0	1.1	1.2

CHANGE IN ESTIMATES

Year to March	Revised estimates		% Revision	
	FY25E	FY26E	FY25E	FY26E
Revenue	122,077	132,805	-1	-1
EBITDA	18,108	19,832	-2	-2
Adjusted profit	9,621	10,019	-5	-6
Diluted EPS (INR)	52.6	54.7	-5	-6

PRICE PERFORMANCE



Healthy Q1; augmenting focus on EVs

Q1FY25 revenue/EBITDA grew 13%/22% YoY to INR31.3bn/INR4.3bn, largely in line with estimate. We are reducing FY25–27E EPS by 5–6% factoring in lower industrial segment growth and higher interest expenses. We are building in core (lead acid battery) revenue/EBITDA CAGR of 8%/11% over FY24–27E led by growth in auto and industrial.

Amara Raja is doubling down on EVs, with lithium cell plants for NMC/LFP chemistries slated to come on stream in FY26E/28E and investments in Inobat/Log9 entities. These efforts enhance long-term growth visibility. Retain 'BUY' with a TP of INR1,980 (INR2,040 earlier), based on 15x Sep-26E EPS for the core business, 3x PB for lithium battery investments and INR23/share for Inobat/Log9 investments.

Q1FY25 EBITDA in-line

Revenue grew by 13% YoY to INR31.3bn (estimate: INR30.7bn), broadly in line with estimate. In 4W, OEM volume grew ~6% YoY, replacement increased ~11% YoY and exports surged ~45% YoY. In 2W, OEM volume rose ~25% YoY and replacement ~18% YoY. In Industrial, volume slid ~5% YoY led by a fall of ~20% in the Telecom segment due to a high base. EBITDA grew 22% YoY to INR4.3bn (estimate: INR4.3bn), broadly in line with estimate. EBITDA margin expanded 100bp YoY to 13.7% (in comparison, larger peer Exide posted an EBITDA margin of 11.5%). All in all, EPS increased 19% YoY to INR13.4 (estimate: INR13.6), broadly in line with estimate.

Stable growth likely in core business (lead acid batteries)

We are building in an 8% revenue CAGR for the core lead acid batteries business over FY24–27E on the back of growth in the auto and industrial segments. We forecast auto revenue CAGR would be 9% driven by growth in underlying OEM industry and stable replacement demand. The industrial segment's revenue CAGR shall be 7%—likely driven by categories such as UPS, traction and solar/power segments.

Augmenting focus on EVs

Amara Raja has started assembling lithium battery packs and manufacturing chargers. It is supplying battery packs to customers in the 2W, 3W and industrial segments (Piaggio, Mahindra, Omega SEKI, Indus Towers, BSNL, etc). The company is working on a small lithium-ion cell manufacturing facility with 2GWH capacity with NMC chemistry, which is likely to come on stream in FY26. In addition, it is working on 4–5GWH capacity with LFP chemistry, which is likely to come on stream in FY28. The ten-year plan is to expand capacity to 16GWH at an investment of INR95bn. Furthermore, to enhance focus on the new energy business, it has invested in start-ups such as Log9 and Inobat.

Financials

Year to March	1QFY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Revenue	31,312	27,699	13.0	27,967	12.0
EBITDA	4,304	3,535	21.8	4,077	5.6
Adjusted Profit	2,446	1,925	27.1	2,280	7.2
Diluted EPS (INR)	13.4	11.3	18.6	12.5	7.2

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	112,153	122,077	132,805	143,204
Gross profit	36,812	40,896	44,490	47,973
Employee costs	6,994	7,613	8,282	8,931
Other expenses	14,053	15,175	16,376	17,515
EBITDA	15,764	18,108	19,832	21,528
Depreciation	4,787	5,402	5,902	6,228
Less: Interest expense	332	643	1,137	1,116
Add: Other income	1,015	766	566	436
Profit before tax	11,661	12,828	13,359	14,619
Prov for tax	3,052	3,207	3,340	3,655
Less: Other adj	0	0	0	0
Reported profit	8,609	9,621	10,019	10,965
Less: Excp.item (net)	0	0	0	0
Adjusted profit	8,609	9,621	10,019	10,965
Diluted shares o/s	183	183	183	183
Adjusted diluted EPS	47.0	52.6	54.7	59.9
DPS (INR)	5.1	15.8	16.4	18.0
Tax rate (%)	26.2	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Gross profit margin (%)	32.8	33.5	33.5	33.5
Staff cost % sales	6.2	6.2	6.2	6.2
Other expenses % sales	12.5	12.4	12.3	12.2
EBITDA margin (%)	14.1	14.8	14.9	15.0
Net profit margin (%)	7.7	7.9	7.5	7.7
Revenue growth (% YoY)	7.9	8.8	8.8	7.8
EBITDA growth (% YoY)	9.6	14.9	9.5	8.6
Adj. profit growth (%)	10.1	11.8	4.1	9.4

Assumptions

Year to March	FY24A	FY25E	FY26E	FY27E
Auto OEM (INRmn)	12,528.0	13,572.0	14,484.6	15,327.1
Auto Aftermarket (INRmn)	63,451.0	69,560.0	75,839.8	82,227.6
Industrial (INRmn)	34,935.7	36,868.0	39,817.5	42,604.7
Others (INRmn)	1,238.2	2,077.2	2,663.4	3,044.8

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	32.1	28.7	27.6	25.2
Price/BV (x)	4.1	3.7	3.4	3.1
EV/EBITDA (x)	16.3	14.6	13.4	12.4
Dividend yield (%)	0.3	1.0	1.1	1.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	183	183	183	183
Reserves	67,504	74,238	81,252	88,927
Shareholders funds	67,687	74,421	81,435	89,110
Minority interest	0	0	0	0
Borrowings	533	7,523	9,513	9,493
Trade payables	16,315	17,726	19,284	20,794
Other liabs & prov	3,808	3,916	4,067	4,226
Total liabilities	88,343	103,587	114,299	123,624
Net block	26,447	28,806	26,154	23,662
Intangible assets	4,776	5,015	5,266	5,529
Capital WIP	3,217	3,217	3,217	3,217
Total fixed assets	34,440	37,038	34,636	32,408
Non current inv	14,791	25,791	34,991	44,191
Cash/cash equivalent	1,045	248	1,561	1,046
Sundry debtors	10,171	10,736	11,316	12,202
Loans & advances	3,916	4,111	4,317	4,533
Other assets	19,701	21,383	23,198	24,964
Total assets	88,343	103,587	114,299	123,624

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	10,645	12,063	12,793	14,184
Add: Depreciation	4,787	5,402	5,902	6,228
Interest (net of tax)	332	643	1,137	1,116
Others	(110)	(132)	(132)	(132)
Less: Changes in WC	2,419	(924)	(891)	(1,199)
Operating cash flow	14,784	13,844	15,468	16,541
Less: Capex	(4,282)	(8,000)	(3,500)	(4,000)
Free cash flow	10,502	5,844	11,968	12,541

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	13.5	13.5	12.9	12.9
RoCE (%)	18.5	17.9	16.8	16.6
Inventory days	84	85	85	85
Receivable days	29	31	30	30
Payable days	75	77	76	77
Working cap (% sales)	13.0	12.7	12.3	12.3
Gross debt/equity (x)	0	0.1	0.1	0.1
Net debt/equity (x)	0	0.1	0.1	0.1
Interest coverage (x)	36.2	20.9	12.7	14.1

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	2.7	11.8	4.1	9.4
RoE (%)	13.5	13.5	12.9	12.9
EBITDA growth (%)	9.6	14.9	9.5	8.6
Payout ratio (%)	10.8	30.0	30.0	30.0

Q1FY25 conference call: Takeaways

Lead acid battery business (LAB)

- Q1FY25 volume performance: In 4W, OEM volume grew ~6%, replacement increased ~11% and exports surged ~45%. In 2W, OEM volume increased ~25% and replacement ~18%. In Industrial, volume declined ~5%, led by ~20% fall in Telecom segment due to high base. Except for the telecom, industrial revenue grew by 7-8%. In comparison, home inverters grew by ~15%.
- The export segment grew by 45% YoY due to new account additions in Europe and North America regions. The export has expanded to 55-60 countries. Export business is expected to grow at 15% CAGR for the next 2-3 years.
- The trading revenue mix was substantially higher at 23%, vs. 12% in Q4FY24. On a full-year basis, the revenue share from trading should be less than 15%.
- The company has taken a price hike of 1% in June'24 and 0.75% in July'24, to mitigate input cost increases.
- Market share: 2W OEM – 25%, 4W OEM – 35%, 2W Aftermarket (AM) – 40%, 4W AM – 36%, Home inverter - 15%, Industrial UPS – 40-45%, and telecom - 60%.
- Current capacity is at 21mn for 4W and 32mn for 2W and the utilization stands at 85-90%.
- The company has invested INR4.5bn in circular solutions to recycle used batteries. The plant is expected to start in September'24. The battery breaking line will start 4-5 months after the refining capacity is online. The full capacity of the recycling unit will be 150,000 tons and should produce 30% of the lead requirement by the company.
- The tubular battery plant is expected to be completed by the end of FY25.
- Capex in the LAB segment would be INR8bn. About INR4.5bn will go to the tubular batteries manufacturing unit and rest into the small line expansions and maintenance Capex.

New energy business (NEB)

- Q1FY25 NEB grew 20% YoY on the back of mobility and the new energy storage packs. Revenue from chargers was flat YoY. Revenue is expected to pick up after the completion of the localisation initiatives for chargers.
- The NMC battery cell plant should start production by Q4FY26 and the LFP plant should start from CY27.
- The company has collaborated with Jiangsu Highstar for development of NMC cells.
- **Overall investment** is planned at INR10–15bn in FY25. The company may go for borrowings to meet this requirement.

Exhibit 1: Changes in estimates: Decreasing FY25–27E EPS by 5–6% on lower revenue and margin assumptions

INR mn	Old estimates			New estimates			Variance (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenues	123,783	134,746	145,385	122,077	132,805	143,204	-1	-1	-1
EBITDA	18,454	20,223	21,965	18,108	19,832	21,528	-2	-2	-2
Adjusted Profit	10,087	10,677	11,606	9,621	10,019	10,965	-5	-6	-6
Diluted EPS (INR)	55.1	58.3	63.4	52.6	54.7	59.9	-5	-6	-6

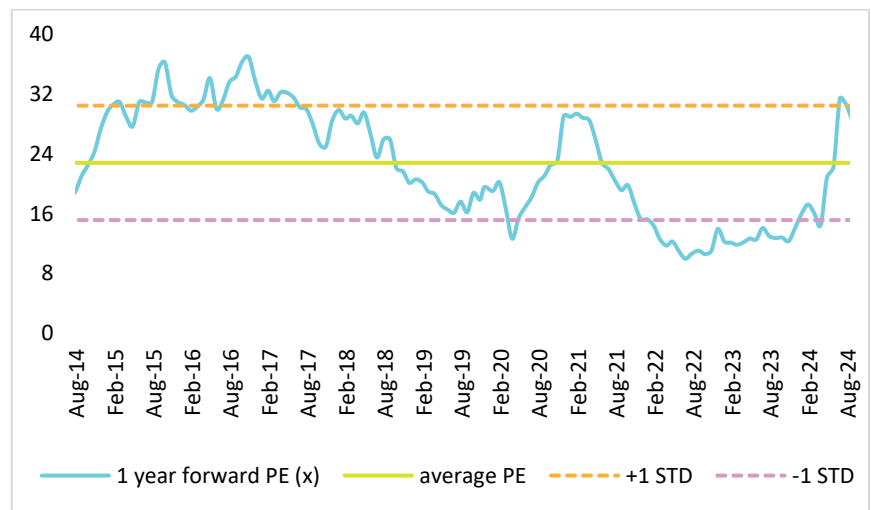
Source: Nuvama Research

Exhibit 2: Key assumptions: Core business revenue CAGR of 8% over FY24–27E

Revenues (INRmn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY24-27E
Automotive (2W & 4W)	42,832	45,044	56,001	68,049	75,979	83,132	90,324	97,555	9
growth (%)	(0)	5	24	22	12	9	9	8	
-OEM	7,432	7,180	9,168	11,548	12,528	13,572	14,485	15,327	7
growth (%)	(13)	(3)	28	26	8	8	7	6	
-Aftermarket	35,400	37,865	46,833	56,501	63,451	69,560	75,840	82,228	9
growth (%)	3	7	24	21	12	10	9	8	
Industrial	23,330	24,099	28,298	32,829	34,936	36,868	39,817	42,605	7
growth (%)	3	3	17	16	6	6	8	7	
Others	2,229	2,353	2,659	3,057	1,238	2,077	2,663	3,045	35
growth (%)	(4)	6	13	15	(59)	68	28	14	
Total Revenue	68,390	71,497	86,958	103,935	112,153	122,077	132,805	143,204	8
growth (%)	1	5	22	20	8	9	9	8	

Source: Company, Nuvama Research

Exhibit 3: One-year forward PE; re-rating due to lithium business foray



Source: Bloomberg, Nuvama Research

Exhibit 4: Quarterly snapshot (standalone): Q1FY25 EBITDA in line with estimates

Year to March	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net revenues	31,312	27,699	13.0	27,967	12.0
Raw material	21,563	19,695	9.5	18,314	17.7
Staff costs	1,856	1,611	15.2	1,629	13.9
Other expenses	3,590	2,859	25.6	3,947	(9.1)
Total expenditure	27,008	24,165	11.8	23,890	13.1
EBITDA	4,304	3,535	21.8	4,077	5.6
Depreciation	1,183	1,111	6.5	1,210	(2.2)
EBIT	3,121	2,424	28.7	2,867	8.8
Less: Interest Expense	90	56	59.3	97	(7.8)
Add: Other income	256	216	18.5	283	(9.8)
Profit before tax	3,287	2,584	27.2	3,053	7.6
Less: Provision for Tax	841	659	27.7	773	8.8
Add: Exceptional items/Extraordinary item	0	0		0	
Reported Profit	2,446	1,925	27.1	2,280	7.2
Adjusted Profit	2,446	1,925	27.1	2,280	7.2
No. of Diluted shares outstanding	183	171		183	
Adjusted Diluted EPS	13.4	11.3	18.6	12.5	7.2
As a % revenues					
Year to March	Q1FY25	Q1FY24	bps change (YoY)	Q4FY24	bps change (QoQ)
Gross margins	31.1	28.9	224	34.5	(338)
Raw material	68.9	71.1	(224)	65.5	338
Staff costs	5.9	5.8	11	5.8	10
Other expenses	11.5	10.3	114	14.1	(265)
EBIDTA	13.7	12.8	98	14.6	(83)
Adjusted net profit	7.8	6.9	86	8.2	(34)
Tax rate (% PBT)	25.6	25.5	9	25.3	27

Source: Company, Nuvama Research

Company Profile

Company Description

AMRJ is the second-largest automotive battery manufacturer and the largest supplier of industrial storage batteries in India. It was promoted by the Galla family with 33% stake. The company has been a technology leader in the Indian market, having introduced valve-regulated lead acid (VRLA) batteries for the first time for industrial applications and two-wheelers. In the automotive segment too, AMRJ was the first to introduce batteries with five-year warranties and zero maintenance fully charged batteries. Its business model is de-risked as it caters to automotive as well as industrial segments. Sales are well diversified among automotive and industrial segments.

Investment Theme

Old-line auto and industrial batteries shall charge up Amara's core business revenue/EBITDA CAGR to 8%/11% over FY24–27E—fair for India's second-largest lead-acid battery manufacturer.

Amara is doubling down on EVs, with lithium cell plants for NMC/ LFP chemistries slated to come on stream in FY26E/ FY28E and investments in Inobat/Log9 entities. These efforts improve long-term growth visibility. We retain 'BUY' with TP of INR1,980, based on 15x Sep'26 EPS for core business, 3x P/B for lithium battery investments and INR23/share for Inobat/Log9 investments.

Key Risks

- Slowdown in OEM and replacement demand
- Sharp surge in input costs
- Increased competitive intensity in the lithium ion space
- Slow ramp-up in utilization for lithium ion manufacturing unit

Additional Data

Management

Chairman & Managing Director	Jayadev Galla
CFO	Y Delli Babu
CTO	M Jagadish
COO	C Narasimhulu Naidu
Auditor	Brahmayya & Co & Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Nalanda Fund	8.76	Dimensional Fund	1.26
LIC	5.99	BlackRock	1.11
Vanguard Group	3.66	Pine Bridge global	1.02
Tata AIA	1.90	Nippon Life AMC	0.91
Franklin Resources	1.35	Norges Bank	0.70

*Latest public data

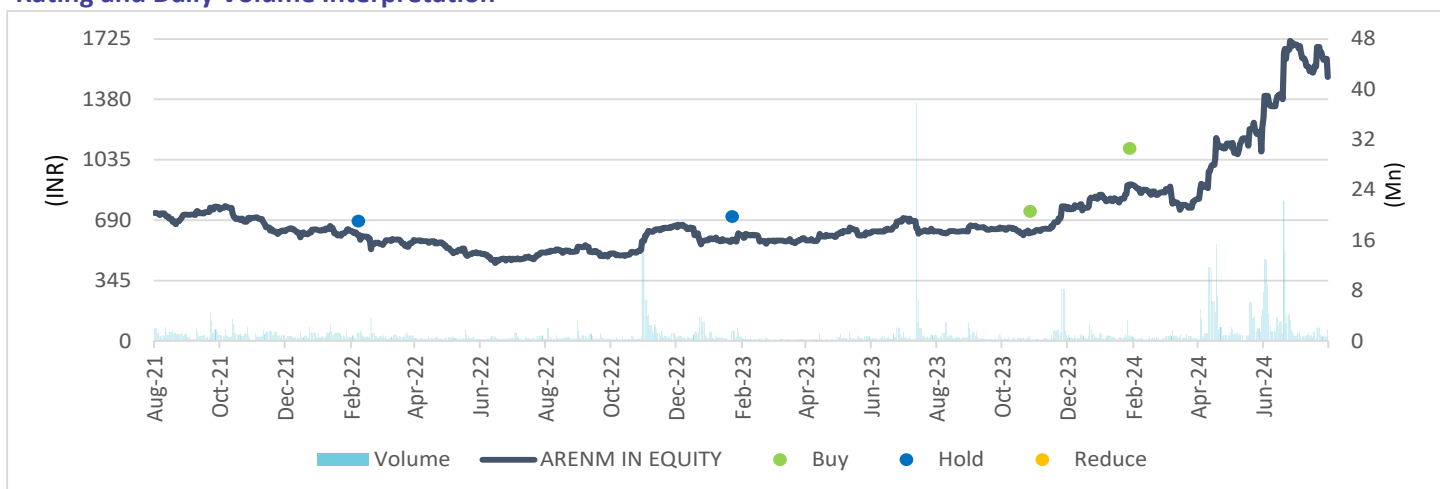
Recent Company Research

Date	Title	Price	Reco
28-Jun-24	Gotion tie-up enhancing EV focus; <i>Company Update</i>	1609.55	Buy
30-May-24	Healthy Q4; augmenting focus on EVs; <i>Result Update</i>	1190.05	Buy
02-Feb-24	EBITDA in line; doubling down on EVs; <i>Result Update</i>	892	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
01-Aug-24	Escorts Kubota	EBITDA beat; robust mid-term outlook; <i>Result Update</i>
01-Aug-24	Tata Motors	In-line Q1; JLR and CV to moderate; <i>Result Update</i>
31-Jul-24	Maruti Suzuki	Beats estimates; outlook intact; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	216
Hold	<15% and >-5%	61
Reduce	<-5%	26

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