

August 21, 2025

## Focused execution across legacy & new segments...

**About the stock:** Amara Raja Energy & Mobility (AREM) is a part of the duopolistic organised Indian lead acid battery market with a strong presence across Automotive (OEM & aftermarket) and Industrial battery space (UPS, Telecom, etc.).

- Approaching E-Mobility through a mix of EV chargers, Li-On battery pack assembly, captive Li-On cell manufacturing and stake in Log-9 materials

**Q1FY26 Result:** On standalone basis, net sales for the quarter came in at ₹ 3,350 crore, up 7% YoY. EBITDA in Q1FY26 came in at ₹ 387 crore with EBITDA margins at 11.5%, flat QoQ. PAT in Q1FY26 stood at ₹ 194 crore, down ~21% YoY.

### Investment Rationale:

- Resilient Lead-Acid Backbone with positives for margin recovery:** Amara Raja is a prominent player in Lead acid business with sizeable presence across Automobile (~70%) & Industrial side (~30%). In automobile space it is present across OEM & aftermarket channel and is the leader in aftermarket space. In Q1FY26, the Lead acid business provided resilient base with strong traction in 4W OEM and aftermarket segments offsetting softness in exports and telecom. Resumption of in-house tubular batteries manufacturing plant (commenced production in July 2025) and ramp up of the same (capacity of 1.5 lakh batteries p/m) along with upcoming ramp-up of recycling facilities, are expected to ease raw material dependency, support margins, & enhance competitiveness. We believe this segment is well poised to grow single digit in the near to medium term.
- New energy strategy gathers momentum amid Investment Cycle:** The New Energy business (~4% of revenue in Q1FY26) was driven by storage (telecom) where quarterly lithium pack sales crossed ~100 MW while EV packs/chargers slowed on weaker OEM demand. The company has in the past has entered into MoU with Govt. of Telangana for setting up of Li-Ion Battery Gigafactory. The said facility is expected to have cell manufacturing capacity of up-to 16GWh & assembly capacity of up to 5 GWh with overall investment pegged at ~₹9,500 crores by FY30E. Investments in infrastructure continue as planned wherein the Customer Qualification Plant and Hyderabad R&D centre are expected to be online by end-2025, while the first phase of Gigafactory (1 GWh) is slated to be commissioned by FY27 end. Cumulative Capex of ~₹1200 crore has been incurred in New Energy so far, with ~₹850 crore more planned in FY26E.

### Rating and Target Price

- With margins bottoming out in steady state lead acid business, focus on growth in exports, tangible steps being taken in the new energy business (Li-On battery pack, chargers, cell), we retain our positive view on the stock. We assign **BUY** rating on Amara Raja and value it at ₹ **1,150** on SoTP basis wherein we have valued its base business at 18x PE on FY27E and assigned 1x CWIP to estimated capex in Li-On cell domain in FY27.


**AMARA RAJA**  
Gotta be a better way

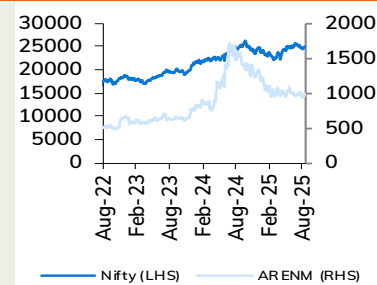
### Particulars

Particular	₹ crore
Market Capitalization	18,117
Total Debt (FY25)	145
Cash & Invt. (FY25)	228
Enterprise Value	18,034
52 week H/L (₹)	1,610 / 805
Equity capital	18.3
Face value (₹)	1.0

### Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	32.9	32.9	32.9	32.9
FII	22.3	21.8	20.7	19.4
DII	15.4	14.8	14.6	14.0
Other	29.5	30.5	31.8	33.8

### Price Chart



### Recent event & key risks

- Margin for Q1FY26 came in at 11.5% which was affected by higher RM & warranty costs.
- Key Risk: (i) lower than built in margin recovery in the base business (ii) delay in capex execution in the new energy business (Li-On battery space)

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### Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	7,149.7	8,695.8	10,389.7	11,260.3	12,404.9	12.6%	13,411.3	14,458.1	8.0%
EBITDA	1,115.6	1,022.6	1,435.0	1,621.4	1,629.0	8.2%	1,639.6	1,884.9	7.6%
EBITDA Margins (%)	15.6	11.8	13.8	14.4	13.1		12.2	13.0	
Net Profit	646.8	511.2	730.7	905.9	963.9	7.8%	842.3	1,004.0	2.1%
EPS (₹)	37.9	29.9	39.9	49.5	52.7		46.0	54.9	
P/E	26.1	33.1	24.8	20.0	18.8		21.5	18.0	
RoNW (%)	15.4	11.2	12.7	13.4	11.9		10.5	11.4	
RoCE (%)	18.6	13.6	15.8	16.5	15.0		13.0	14.0	

Source: Company, ICICI Direct Research

## Key Takeaways of Recent Quarter

### Q1FY26 Earnings Conference Call Highlights

**Segmental Growth:** Domestic automotive business was steady: four-wheeler OEM volumes rose ~13% and aftermarket volumes by 5%, while two-wheeler batteries saw 5% growth in Q1. The industrial UPS battery segment also witnessed robust ~15% growth but telecom volumes declined ~30%, pulling down overall growth and reporting a decline of 3-4% YoY. Export revenues dropped ~7% YoY in Q1 due to weak demand, though full-year exports guidance is maintained at 15%. The Lube business doubled YoY volumes reflecting growing traction in Allied segments.

**Capex:** FY26 capex is guided at ₹1,200–1,300 crores, of which ₹800–900 crores is earmarked for new-energy projects and the balance for lead-acid. In Q1, the company infused ~₹350 crores into the new-energy subsidiary, taking cumulative investment there to ~₹1,200 crores.

**New Energy Business:** New-energy revenue was ~₹122 crores, driven by storage (telecom) where quarterly lithium pack sales crossed ~100 MW; EV packs/chargers slowed on weaker OEM demand. The first cell line will be NMC 21700 at 1 GWh (target commencement by end-FY27), with a decision thereafter to expand to 2 GWh or pivot to LFP cylindrical (32140). CQP and the research lab are slated to be ready by end-FY26 (research lab possibly by end-CY25). Cell materials (cathode/anode/electrolyte) will be largely imported from China initially.

**Lead Acid Battery Business:** Lead-acid revenue was ~₹3,270 crores (up by ~4.5% YoY). Auto OEM momentum was healthy; aftermarket steady; exports softer. In industrial lead-acid, overall volumes fell ~3–4% YoY given telecom weakness despite UPS strength. It continues to hold >50% share in telecom (lead-acid) while lithium solutions helped protect share on the telecom side as the market migrates.

**Raw Material & Cost Impact:** Standalone EBITDA margin came in at ~11.5% (~11.7% ex-lithium), impacted by higher material costs (notably antimony), power costs, employee costs, and higher warranty provisioning. Trading mix rose to ~23% (vs ~19% PY) due to tubular batteries being partly traded before the new plant ramp; this should normalize as in-house production builds. Antimony has stabilized; further price hikes are difficult near-term given competition, but margins are expected to improve from Q1 lows as trading reduces, recycling ramps, and power-cost issues ease (resolution expected by end-Q2/beginning-Q3). Management indicated a path back toward the ~13% EBITDA range as conditions normalize.

**Guidance:** Management's FY26 outlook: UPS +5–6%; 4W aftermarket +6–7%; 2W aftermarket +10–11%; exports uncertain near-term. Telecom is a migration story, but the company expects to defend share via both lead-acid and lithium solutions.

**International Expansion:** Exports declined ~7–8% YoY in Q1 amid tariff-linked competitive intensity in APAC/Middle East and softer “far-off” markets. The company is widening market presence; however, exports could remain challenging for 1–2 quarters with hopes of improvement in H2 as new markets open up.

**Policy & regulatory watch (GST):** GST rate rationalization would place lead-acid (currently 28% GST) on par with lithium (18%), easing working-capital strain since most inputs are at 18%. A reduction of GST on scrap batteries (now 18%)—if enacted—could further formalize recycling, & pressure the unorganized segment.

### Exhibit 1: Quarterly Variance Analysis

	Q1FY26	Q1FY25	YoY (Chg %)	Q4FY25	QoQ (Chg %)
Total Operating Income	3,350	3,131	7.0	2,974	12.6
Raw Material Expenses	2,363	2,156	9.6	2,013	17.4
Employee Expenses	198	186	6.5	180	9.7
Other Expenses	403	359	12.2	438	-8.1
EBITDA	387	430	-10.1	342	13.0
EBITDA Margin (%)	11.5	13.7	-220 bps	11.5	3 bps
Other Income	14	26	-45.4	20	-30.4
Depreciation	129	118	9.3	128	0.7
Interest	10	9	15.4	9	9.1
Tax	67	84	-20.3	58	16.4
Reported PAT	194	245	-20.7	167	16.3
EPS (₹)	10.6	13.4	-20.7	9.1	16.3

Source: Company, ICICI Direct Research

## Exhibit 2: Business Overview

## Operations At A Glance

## LEAD ACID BATTERIES

## AUTOMOTIVE

- Applications – 2W, 3W, 4W & CV's
- First AGM battery manufacturer for 2W
- Largest Exporter of automotive Batteries

## INDUSTRIAL

- Pioneers in VRLA batteries in India
- Application - Telecom, Railways, Power Control, Solar, UPS
- Market Leader in Telecom sector/Largest exporter for VRLA batteries
- Largest Integrated Facility for MVRLA Batteries



## Lead Recycling plant



## Rendering view

Commenced Phase I (eventual capacity of 1 Lakh TPA refinery capacity) operations at lead recycling facility, showcasing commitment to the circular economy

## AUTOMOTIVE | INDUSTRIAL

- Li Cell and Pack Manufacturing
- EV Charging Products
- Energy Storage Solutions
- Developed India's First 21700 Cylindrical Cell (NMC 811)
- Setting up E Positive Energy Labs: a unique innovation & research facility



## NEW ENERGY BUSINESS

## APPLICATIONS



Source: Company, ICICI Direct Research

## Exhibit 3: News Energy Business Overview

## New Energy Business going forward....

## Focus on Pack business and build state of art manufacturing facilities....

Pack Assembly plant:  
Tirupathi & Divitipally

- Scale pack business by entering into new mobility applications and building sustainable customer base
- Fully operational 1.5 GWh pack capacity at Divitipally to cater to 2W and 3W segments
- 1 GWh capacity to cater to stationary segment through its Tirupathi plant

Giga cell plant:  
Capacity of 16 GW by FY30

- Operations commencement shifted to Q2/Q3 of 2027
- Phase 1 – Cylindrical capacity of 4 GWh/ Chemistries offered- NMC and LFP
- Further capacity to be set up in phased manner by FY2030

Customer Qualification  
plant (CQP)

- Offering pilot production run & product optimization to meet customer requirements
- To validate industrial scale production & improve quality

Source: Company, ICICI Direct Research

## Exhibit 4: SOTP Target Price Calculation

Particulars	Units	Amount
FY27E PAT of Base Business (Lead Acid Battery)	₹ crore	1,004
FY27E PAT of EV Chargers and others	₹ crore	34
Total FY27E PAT (A)	₹ crore	1,038
Total No of Shares (B)	crore	18.3
FY27E EPS (A/B)	₹/share	57
PE Multiple Assigned	x	18
per share value (A)	₹/share	1,025
Our Estimates of CWIP in Li-On Cell business, as of FY27E	₹ crore	2,250
Multiple Assigned	x	1
Value to EV Business	₹ crore	2,250
per share value	₹/share	125
Total Target Price	₹/share	1,150

Source: ICICI Direct Research

## Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	11,260	12,405	13,411	14,458
Growth (%)	8.4	10.2	8.1	7.8
Raw Material Expenses	7,534	8,407	9,287	9,812
Employee Expenses	699	747	824	882
Other Expenses	1,405	1,622	1,660	1,880
Total Operating Expenditure	9,639	10,776	11,772	12,573
EBITDA	1,621	1,629	1,640	1,885
Growth (%)	13.0	0.5	0.6	15.0
Depreciation	479	492	550	593
Interest	33	42	46	51
Other Income	102	93	84	101
PBT	1,211	1,188	1,128	1,342
Total Tax	305	335	285	338
PAT	906	964	842	1,004
Growth (%)	24.0	6.4	-12.6	19.2
EPS (₹)	49.5	52.7	46.0	54.9

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	906	964	842	1,004
Add: Depreciation	479	492	550	593
(Inc)/dec in Current Assets	(199)	(164)	(214)	(278)
Inc/(dec) in CL and Provisions	174	425	133	171
CF from operating activities	1,359	1,717	1,311	1,490
(Inc)/dec in Investments	(593)	(69)	(50)	(110)
(Inc)/dec in Fixed Assets	(828)	(1,389)	(1,250)	(1,200)
Others	267	64	11	11
CF from investing activities	(1,154)	(1,393)	(1,289)	(1,299)
Issue/(Buy back) of Equity	1.2	-	-	-
Inc/(dec) in loan funds	(58)	91	100	50
Dividend & others	(144)	(354)	(183)	(201)
CF from financing activities	(201)	(263)	(83)	(151)
Net Cash flow	5	61	(62)	40
Opening Cash	100	104	165	104
Closing Cash	104	165	104	144

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	18.3	18.3	18.3	18.3
Reserve and Surplus	6,750	7,360	8,019	8,822
Total Shareholders funds	6,769	7,378	8,038	8,840
Total Debt	53	145	245	295
Deferred Tax Liability	88	73	79	85
Total Liabilities	7,204	7,937	8,707	9,571
Assets				
Gross Block	5,830	6,663	7,313	7,713
Less: Acc Depreciation	2,757	3,249	3,799	4,392
Net Block	3,073	3,414	3,514	3,321
Capital WIP	722	1,294	1,894	2,694
Total Fixed Assets	3,844	4,741	5,441	6,048
Investments	1,079	1,148	1,198	1,308
Inventory	1,810	2,036	2,205	2,377
Debtors	1,017	1,143	1,176	1,268
Loans and Advances	192	23	25	26
Other Current Assets	161	142	153	165
Cash	104	165	104	144
Total Current Assets	3,284	3,509	3,662	3,979
Creditors	840	1,047	1,102	1,188
Provisions	131	171	180	194
Other current liabilities	659	839	907	978
Total Current Liabilities	1,631	2,056	2,189	2,360
Net Current Assets	1,653	1,453	1,473	1,620
Other Non-Current Assets	199	167	167	167
Application of Funds	7,204	7,937	8,707	9,571

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	49.5	52.7	46.0	54.9
Cash EPS	75.7	79.6	76.1	87.3
BV	369.9	403.2	439.2	483.1
DPS	9.9	10.5	10.0	11.0
Cash Per Share	20.2	12.4	6.4	9.1
Operating Ratios (%)				
EBITDA Margin	14.4	13.1	12.2	13.0
PBT / Net sales	10.1	9.2	8.1	8.9
PAT Margin	8.0	7.8	6.3	6.9
Inventory days	58.7	59.9	60.0	60.0
Debtor days	33.0	33.6	32.0	32.0
Creditor days	27.2	30.8	30.0	30.0
Return Ratios (%)				
RoE	13.4	11.9	10.5	11.4
RoCE	16.5	15.0	13.0	14.0
RoIC	19.6	18.7	17.2	20.3
Valuation Ratios (x)				
P/E	20.0	20.6	21.5	18.0
EV / EBITDA	11.0	11.1	11.1	9.7
EV / Net Sales	1.6	1.5	1.4	1.3
Market Cap / Sales	1.6	1.5	1.4	1.3
Price to Book Value	2.7	2.5	2.3	2.0
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.9	1.6	1.6	1.6
Quick Ratio	0.8	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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