

## Amara Raja Energy & Mobility Ltd

Analyst Recommendation: BUY

BSE Code: 500008

NSE: AR&M

**CMP:** Rs 1,611  
**2 Year Target -** Rs 2,240

Face Value	1.0
Market Cap (Rs Bill)	295
52 week high/low	1776/599
Beta	1.34
Shares O/S (Cr)	17.1
Book Value per Share (Rs)	370
Sensex	86,129
Nifty	24,010

### Investor's Rationale

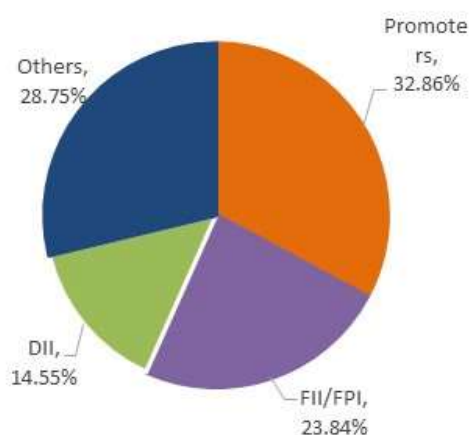
- Amara Raja has signed a technical licensing agreement with Gotion, one of the top-10 global lithium battery makers. The tie-up is for LFP cells for auto/industrial applications, support in establishing Gigafactory, integration with Gotion's global supply chain, and customer technical support..
- Currently, Amara is 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, and BSNL). Amara is working on setting up a small lithium-ion cell manufacturing facility with 2GWH capacity at an investment of INR15bn, which is likely to come on stream in FY26.
- Amara has now signed a technical-licensing agreement with Gotion, which is among the top-ten global lithium battery makers, has 8,000 patented technologies covering the battery industry value chain, and a capacity layout likely to reach 300GWh by 2025. The tie-up is for i) LFP cells' IP for auto/industrial applications; ii) support in establishing Gigafactory; iii) integration with Gotion's global supply chain network for critical battery materials; and iv) customer technical support for solution deployment. We believe this tie-up would propel Amara's plan to set up 16GWH capacity covering LFP and NMC technologies, over the next ten years at INR95bn investment, to cater to both domestic (industry size expected at 130–150GWH) and overseas markets. Furthermore, to enhance focus on the new energy business, Amara has acquired 9.32% in Inobat, which is setting up a lithium-cell manufacturing facility in Slovakia in a joint venture with Gotion.

### 1 yr. Price Chart of Stock and Nifty



**Valuation:** We believe this tie-up would propel Amara's plan to set up 16GWH capacity over next ten years at INR95bn investment, to cater to both domestic and overseas markets. We are ascribing 3x investment value to lithium battery investments, and raising the fair value of lithium business to INR1,100/share. Consequently, our TP will be Rs 2,240. Maintain 'BUY'

### Shareholding pattern as on 31<sup>st</sup> March 2024



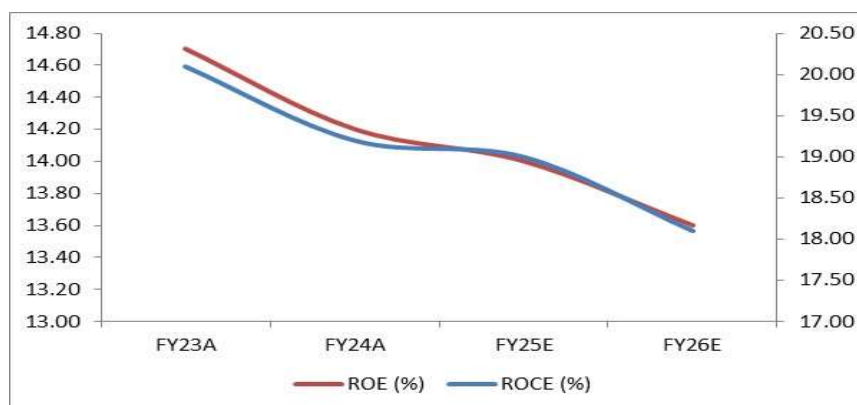
(Rs Million)	FY23A	FY24A	FY25E	FY26E
Revenue (Rs.Million)	1,03,897.0	1,12,603.0	1,23,783.0	1,34,746.0
EBITDA (Rs. Million)	14,350.0	16,214.0	18,454.0	20,223.0
Adj. profit (Rs Million)	7,784.0	9,059.0	9,990.0	10,647.0
Adj. EPS (Rs.)	45.6	49.5	54.6	58.2
P/E (x)	36.6	33.7	30.5	28.7
ROE (%)	14.70	14.20	14.00	13.60
ROCE (%)	20.10	19.20	19.00	18.10

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**Management call highlights**

- Amara Raja Advanced Cell Technologies, a wholly-owned subsidiary of Amara Raja, has partnered with GIB EnergyX Slovakia s.r.o., a subsidiary of Gotion High-Tech Co Ltd.
  - Gotion is among the top-ten global battery makers, among the top five in China and top three in China LFP cells.
  - This comprehensive agreement enables Amara to manufacture world class LFP cells in both cylindrical and prismatic form factors. The scope of licensing provides access to cell technology IP, support in establishing Gigafactory facilities, integration with Gotion's global supply chain network for critical battery materials, and customer technical support for solution deployment. Amara would pay upfront technical fees and royalty to Gotion.
  - Although this a non-exclusive partnership, Amara would have exclusivity over specific part numbers, which are important for India. Amara would also be able to export these lithium cells, with some exceptions. Gotion and Amara would have rights to reach out to other partners.
  - The initial capacity for LFP batteries has been planned at 4–6 GWH. In phase 1, the focus would be to cater to automotive applications. In phase 2, the focus would be on industrial applications. The project funding is expected through internal accruals, debt and equity. This LFP capacity should be able to meet the conditions for the PLI scheme. The qualifying companies in the second round of the PLI scheme are expected to be announced in Jul-24.
  - Amara has planned total 16GWH capacity comprising both LFP and NMC cells, over eight–ten years at an investment of INR95bn to cater to both domestic and overseas markets. Of the total capacity, management expects 75–80% to be LFP cells.
  - Management expects RoCE of 11–12% when capacity reaches eight–ten GWH with optimal utilisation. In this calculation, management has factored in USD70– 80/KWH for lithium cells. Cost efficiency is expected due to technology transfer, manufacturing know-how and raw material access, provided by Gotion.
  - Management expects India's lithium-batteries demand at 150GWh by 2030, comprising both automotive and industrial applications (such as telecom, and data centres).
  - Amara has increased its stake to 9.32% in Inobat, which is setting up a lithium-cell manufacturing facility in Slovakia in a joint venture with Gotion.
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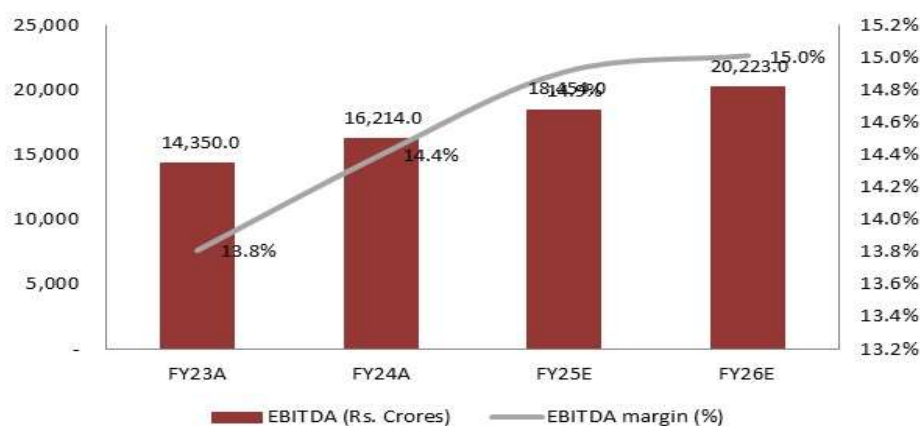
### Return ratios to taper down with expanding business



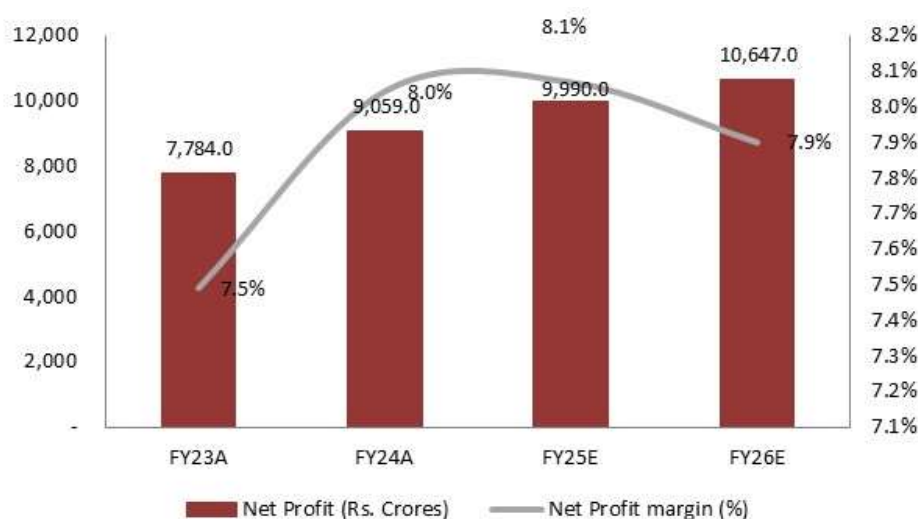
### Revenue growth to be steady



### EBITDA will maintain



### Net profit will maintain



### Outlook and Valuation

We believe this tie-up would propel Amara's plan to set up 16GWH capacity over next ten years at INR95bn investment, to cater to both domestic and overseas markets. We are ascribing 3x investment value to lithium battery investments, and raising the fair value of lithium business to INR1,100/share. Consequently, our TP will be Rs 2,240. Maintain 'BUY'.

### Amara Raja Batteries Limited - Company Overview

Amara Raja Batteries Limited (ARBL), the flagship company of the Amara Raja Group, is the technology leader and is one of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in the Indian storage battery industry.

ARBL has prestigious OEMs as its clients. The Company's Industrial and Automotive batteries are exported to over 50 countries across the globe.

In India, Amara Raja is the preferred supplier to major telecom service providers, Telecom equipment manufacturers, UPS sector (OEM & Replacement), Indian Railways and to Power, Oil & Gas among other industry segments.

Termination of Shareholders Agreement (tie up) with Johnson Control

## Balance sheet (Consolidated)

(Rs Million)	FY23A	FY24A	FY25E	FY26E
<b>Share capital</b>	<b>171</b>	<b>183</b>	<b>183</b>	<b>183</b>
Reserves	59886	67504	74497	81949
Shareholders funds	60056	67687	74680	82132
Minority interest	0	0	0	0
Borrowings	1,111.00	533.00	5,513.00	8,493.00
Trade payables	14,612	16,315	17,974	19,566
Other liabs & prov	3785	3808	3916	4067
<b>Total liabilities</b>	<b>79564</b>	<b>88343</b>	<b>102083</b>	<b>114259</b>
Net block	27654	26447	24502	22241
Intangible assets	4948	4776	5015	5266
Capital WIP	2,343	3,217	3,217	3,217
Total fixed assets	34,945	34,440	32,734	30,723
Non current inv	4,860	14,791	29,091	41,591
Cash/cash equivalent	998	1,045	-553	-1,509
Sundry debtors	7797	10171	10841	11432
Loans & advances	6,554	3,916	4,111	4,317
Other assets	20130	19701	21578	23424
<b>Total assets</b>	<b>79564</b>	<b>88343</b>	<b>102083</b>	<b>114259</b>

## Profit & Loss Account (Consolidated)

(Rs Million)	FY23A	FY24A	FY25E	FY26E
Total operating income	103897	112603	123783	134746
<b>Gross profit</b>	<b>33917</b>	<b>37262</b>	<b>41467</b>	<b>45140</b>
Employee costs	6511.0	6994.0	7689.0	8370.0
Other expenses	13055	14053	15325	16547
<b>EBITDA</b>	<b>14350</b>	<b>16214</b>	<b>18454</b>	<b>20223</b>
Depreciation	4504	4787	5206	5510
Less: Interest expense	296	332	563	1040
Add: Other income	897	1015	816	716
<b>Profit before tax</b>	<b>10447</b>	<b>12110</b>	<b>13500</b>	<b>14388</b>
Prov for tax	2663	3052	3510	3741
Less: Other adj	-477	0	0	0
Reported profit	7307	9059	9990	10647
Less: Excp.item (net)	0	0	0	0
<b>Adjusted profit</b>	<b>7,784</b>	<b>9,059</b>	<b>9,990</b>	<b>10,647</b>
Diluted shares o/s	171	183	183	183
<b>Adjusted diluted EPS</b>	<b>46</b>	<b>50</b>	<b>55</b>	<b>58</b>
DPS (INR)	6	5	16	18

## Free Cash Flow (Consolidated)

(Rs Million)	FY23A	FY24A	FY25E	FY26E
Reported profit	9074	11095	12685	13672
<b>Add: Depreciation</b>	<b>4504</b>	<b>4787</b>	<b>5206</b>	<b>5510</b>
Interest (net of tax)	221	332	563	1040
Others	296	-110	-182	-282
Less: Changes in WC	-2866	2419	-977	-899
Operating cash flow	8666	15234	13784	15300
<b>Less: Capex</b>	<b>-4647</b>	<b>-4282</b>	<b>-3500</b>	<b>-3500</b>
Free cash flow	4019	10952	10284	11800

## Key Ratios & Valuations (Consolidated)

Year to March	FY23A	FY24A	FY25E	FY26E
Return Ratios (%)				
<b>RoE (%)</b>	14.7	14.2	14	13.6
<b>RoCE (%)</b>	20.1	19.2	19	18.1
<b>Margin (%)</b>				
<b>EBITDA</b>	13.81	14.40	14.91	15.01
<b>NPM</b>	7.49	8.05	8.07	7.90
<b>Valuation Ratios</b>				
<b>Diluted P/E (x)</b>	36.6	33.7	30.5	28.7
<b>Price/BV (x)</b>	4.7	4.5	4.1	3.7

Large Cap.	Return	Mid/Small Cap.	Return
<b>Buy</b>	More than equal to 10%	<b>Buy</b>	More than equal to 15%
<b>Hold</b>	Between 10% & -5%	<b>Accumulate*</b>	Upside between 10% & 15%
<b>Reduce</b>	Less than -5%	<b>Hold</b>	Between 0% & 10%
		<b>Reduce/sell</b>	Less than 0%

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



**Member:** BSE, NSE, MCX, MCX-SX, CDSL

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