30 July 2026

Company Update| Sector: Automobiles

Amara Raja

BSE SENSEX	S&P CNX
77,928	24,317

AMARA RAJA

Gotta be a better way

Bloomberg	ARENM IN
Equity Shares (m)	183
M.Cap.(INRb)/(USDb)	166.2 / 1.7
52-Week Range (INR)	1058 / 670
1, 6, 12 Rel. Per (%)	6/12/-5
12M Avg Val (INR M)	740

Financials &Valuations (INR b)

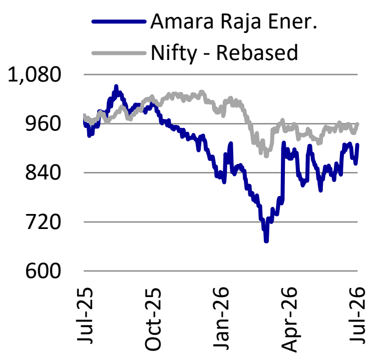
Y/E MARCH	2026	2027E	2028E
Sales	135.5	146.8	158.1
EBITDA	15.4	16.3	19.3
Adj. PAT	6.0	7.8	9.6
EPS (INR)	32.8	42.6	52.4
EPS Gr. (%)	-26.6	29.7	23.0
BV/Sh. (INR)	446	480	522
Ratios			
RoE (%)	7.7	9.2	10.5
RoCE (%)	7.6	9.1	10.2
Payout (%)	42.9	20.0	20.0
Valuations			
P/E (x)	27.7	21.3	17.3
P/BV (x)	2.0	1.9	1.7
Div. Yield (%)	1.2	0.9	1.2
FCF yield (%)	3.5	6.6	7.0

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	32.9	32.9	32.9
DII	15.3	17.0	14.0
FII	17.3	17.3	19.4
Others	34.5	32.9	33.8

FII includes depository receipts

Stock Performance (one-year)



CMP: INR908 TP: INR878 (-3%) Neutral

BESS offers a strong potential for lithium-ion business

We visited Amara Raja (AMRJ)'s Giga Corridor, located at Divitipally, Mahbubnagar district, Telangana, which is planned as an integrated lithium-ion battery manufacturing ecosystem. The giga cell factory is expected to commence Phase 1 of operations in 2QCY27 with an initial capacity of 2GWh based on NMC chemistry. Further, the BESS facility will become operational by the end of CY26 with an initial capacity of 5 GWh, which will later scale up to 10 GWh. AMRJ aims to spend INR15-17b in capex in FY27, of which only INR4b would be spent in the LAB business. Given the huge potential of BESS in the country (25-30 GWh by 2031), AMRJ expects this segment to be one of the stronger growth areas. While the outlook for LAB business has improved on both the auto and industrial fronts post-GST rate cuts, we remain cautious on AMRJ's foray into the lithium-ion business. At 21.3x FY27E/17.3x FY28E EPS, we believe all the positives are already factored in; hence, we reiterate our Neutral rating with a TP of INR878, based on 15x standalone FY28E EPS and INR92/sh value of the investment in the New Energy business.

Lithium-ion cell plant SOP set for 2QFY27

The Customer Qualification plant is already operational, with sample cell deliveries to OEMs for testing and qualification set to begin in Aug'26. Further, the giga cell factory is expected to commence Phase 1 of operations in 2QCY27 with an initial capacity of 2GWh based on NMC chemistry, and further capacity to be set up in a phased manner by FY30, offering both Chemistries - NMC and LFP. Amara Raja has entered into partnerships with EV manufacturers including Ather Energy and Piaggio Vehicles for future lithium-ion solutions. Management believes that once it reaches a scale of 8-10GWh, the lithium-ion giga factory could potentially generate EBITDA margins of 10-11%

BESS capacity expansion – key focus area

Renewable energy demand in India is expected to reach 500GW by 2030, and due to this rapid rise in demand, the BESS market is likely to reach 25-30GWh by 2031 from the current capacity of 1GWh. To cater to this demand, the company is setting up a battery energy storage system facility for commercial & industrial and grid applications. The BESS integration facility will start with an initial capacity of 5 GWh and has an ultimate planned capacity of 10 GWh. The investment is pegged at INR2.8b for the 5GWh capacity, and the capacity is expected to come live by the end of CY26 and would generate a margin of 6-7% initially.

Valuation and view

The lead acid business is expected to witness near-term margin pressure, given the sharp surge in input costs. Further, while the market is optimistic about AMRJ's Li-ion initiative, we are cautious about its potential returns. We believe the stock, trading at around 21.3x FY27E/17.3x FY28E EPS, appears fairly valued. **We reiterate our Neutral rating with a TP of INR878, based on 15x standalone FY28E EPS and INR92/sh value of the investment in the New Energy business.**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key highlights of the plant visit and management interaction

- The project is being developed across approximately 260 acres with a capital outlay plan of INR95b by 2031, with the long-term objective of establishing 16 GWh of lithium-ion cell manufacturing capacity and 5 GWh of battery pack manufacturing capacity.
- The process for mass production of cells involves three key stages. The first stage is research and development (R&D) at the E-hub, where the company develops the required cell chemistry, produces small batches, and conducts laboratory-scale testing. This is followed by the CQP (Cell Qualification Plant) stage, where pilot batches are manufactured and validated for final customer approval. The final stage is the giga factory, where commercial-scale mass production of cells will be undertaken.
- The E+ve Lab and R&D Centre is housed in a 2.2L sq ft area. The E-hub is expected to become operational by the end of August, enabling the production of initial test batches of cells. Currently, around 80 employees are working at the facility, with an additional 60 employees expected to join by August. Depending on future requirements, the company plans to further expand the workforce by adding another 100–150 employees.
- This is India's first lab to have achieved IATF 16949:2016 & ISO 9001:2015 certification for Li-Ion Batteries.
- Material development is the first and most critical step in the cell development process. The company has established a dedicated material development team responsible for sourcing, evaluating, and optimizing various materials required for cell manufacturing.
- ➢ The team is currently focused on developing and testing materials, optimizing formulations, and refining the material mix. The facility procures different materials, produces small-scale batches, and manufactures button cells for initial testing over a couple of months before progressing to full-sized cell trials.
- ➢ AMRJ has procured state-of-the-art equipment for evaluating material quality. However, installation of this equipment is pending, as the suppliers are required to undertake the installation process to ensure warranty compliance.
- ➢ The company is developing both NMC and LFP chemistries to address evolving requirements from different OEM customers. Initially, production will focus on NMC cells, which are expected to cater to applications such as two-wheelers, three-wheelers, power tools, telecom and drones.
- ➢ The manufacturing process for NMC and LFP cells remains largely similar, with the key differences being in the material grades and formulation mix. The machinery installed at the facility is fully fungible and can be utilized for manufacturing both chemistries.
- ➢ The greenfield expansion for the CQP facility commenced in Sep'24 and is expected to begin production in the coming month. The company has invested approximately INR 5.2b in the facility so far.
- ➢ The cell gigafactory is expected to commence commercial production in June 2027, with a total planned capacity of 6GWh. The initial installed capacity will be 2GWh through a single production line focused on NMC cell manufacturing. The facility has provisions for four additional production facilties, which could potentially be utilized for ESS applications.

- To capitalize on the growing BESS opportunity in India, the company plans to develop a total BESS capacity of 10GWh over time, beginning with an initial 5GWh capacity based on LFP chemistry. The company has invested ~INR 3b in this facility to date.
- This facility is expected to commence production by the end of CY26. Management expects the BESS plant to initially generate operating margins of around 6–7%.
- Once the gigafactory becomes operational, the company plans to gradually integrate internally manufactured cells into its BESS products. Following the commencement of production, the company expects to achieve a capacity of 3–4GWh within six months.
- The company’s long-term strategy remains focused on EVs, although the ESS opportunity has developed faster than initially anticipated and is expected to outperform in the near-to-medium term. EV adoption remains a key long-term growth driver.
- ESS and two-/three-wheeler applications utilize relatively standardized cells, resulting in lower entry barriers. In contrast, four-wheeler applications have significantly higher entry barriers due to the need for customized cells designed around specific vehicle powertrains.
- Customer engagement has improved significantly, with increased feedback and sample testing from two-wheeler customers. Amara Raja has entered into partnerships with EV manufacturers including Ather Energy and Piaggio Vehicles for future lithium-ion solutions. The Ather partnership covers development and supply of lithium-ion cells, including both NMC and LFP chemistries. The Piaggio relationship covers lithium-ion cells, battery packs and chargers for electric three-wheelers and future mobility applications.
- However, engagement levels with PV customers remain limited at present.
- Despite the recent increase in raw material costs, management remains confident of achieving its targeted double-digit margins for the gigafactory, supported by the fact that processing costs account for less than 10% of overall costs.
- The company believes that achieving a scale of 8–10GWh would be optimal to benefit from economies of scale and secure raw materials at competitive prices.
- Management acknowledged that Indian-made cells will not immediately be cost-competitive with cells imported from China. It estimated a near-term China-plus pricing gap of around 20-25%, mainly because India lacks a local material supply chain while China has scale advantages. However, they expect the same to narrow down as local manufacturing scales up, local supply chains mature, and government-backed localization initiatives gather pace.
- Further, management believes that once it reaches a scale of 8-10GWh, the lithium-ion giga factory could potentially generate an EBITDA margin of 10-11%.
- The company also plans to participate in the ACC PLI scheme bidding process; however, the management does not view the scheme as the primary driver for capacity expansion, given the strong demand environment currently witnessed by the company.
- On the LAB business, the management expects the business to be stable for the next 8–10 years, supported by existing OEM product cycles.

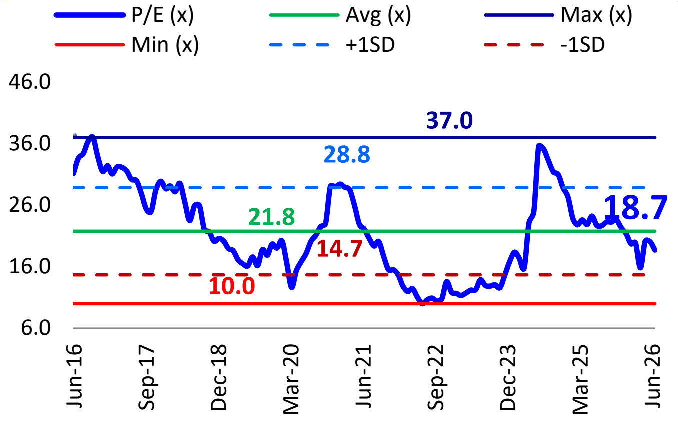
- The company is expanding deeper into home energy solutions and has made progress in North America for lead-acid batteries. Europe remains a potential opportunity, while Southeast Asia, Singapore, and the Middle East-Africa region are strong markets.
- Industrial UPS applications have not yet seen a major transition toward lithium batteries, as lithium chemistry is not required for the specific applications.
- Forklifts and similar industrial mobility applications are expected to remain primarily LAB due to the need for lower operating costs.
- The company plans to introduce lithium-based products for home inverters. This market is expected to grow as applications evolve from providing 15–20 minutes of backup power to supporting daily energy backup requirements.
- Overall export contribution is expected to reach 25-30% levels over the next five years.

Valuation and view

- **AMRJ to emerge as one of the beneficiaries of a steady outlook in LAB:** The outlook on both auto and industrial segments has improved post-GST rate cuts. In the auto segment, steady growth posted by the industry over the last three years is expected to translate into healthy replacement demand in the coming years. The industrial segment (ex-telecom) is expected to benefit from the surge in demand for power backup for data centers. Thermal power generation is seeing a comeback and should witness strong incremental demand, with growth visibility for the next 5-6 years. Given its strong position in LAB in both auto and industrial segments, we expect the company to emerge as a beneficiary of the healthy demand outlook in the industry.
- **Foray into lithium-ion will have its own challenges**: Given the significant imminent risk to its core business, the company has forayed into the manufacturing of lithium-ion cells. The total capex outlay will be INR95b over a 10-year period, which will have an eventual cell manufacturing capacity of 16 GWh. While AMRJ can fund the initial couple of years of this project through internal accruals, we expect the company will need to raise funds to finance the remaining project. Further, we think the company’s foray into lithium-ion cell manufacturing is likely to see multiple challenges in the coming years, such as: 1) most domestic PV OEMs either have their own lithium-ion manufacturing plans or existing tie-ups, limiting AMRJ’s potential addressable market in this space; 2) given AMRJ is setting up a greenfield in this segment without prior experience, we expect its facility to take at least a couple of years to stabilize operations as it goes through its testing and validation phase initially for interested OEMs; 3) since lithium-ion cell manufacturing is a low-margin business, we expect this business to be return-dilutive for AMRJ in the long run, even if this venture is successful; and 4) given that it is still not certain if the lithium-ion cell technology will emerge as a sustainable technology in the long run, we think the outcome of this venture remains highly uncertain at this stage, despite the significant capital commitment required.
- **Valuations fair; reiterate our Neutral rating:** The lead acid business is expected to witness near-term margin pressure, given the sharp surge in input costs. Further, while the market is optimistic about AMRJ’s Li-ion initiative, we are

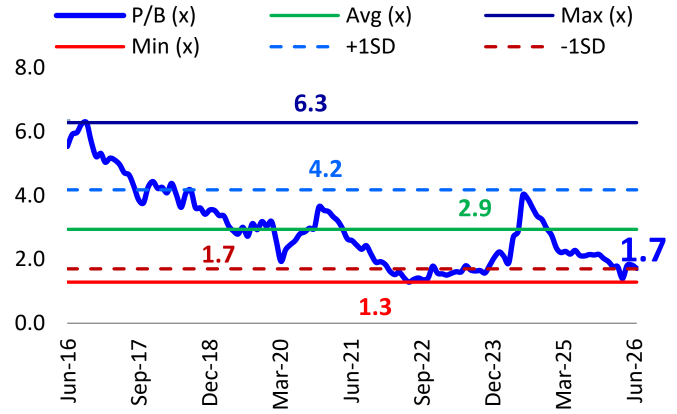
cautious about its potential returns. We believe the stock, trading at around 21.3x FY27E/17.3x FY28E EPS, appears fairly valued. **We reiterate our Neutral rating with a TP of INR878, based on 15x standalone FY28E EPS and INR92/sh value of the investment in the New Energy business.**

Exhibit 1: One-year forward P/E (x) band



Source: MOFSL

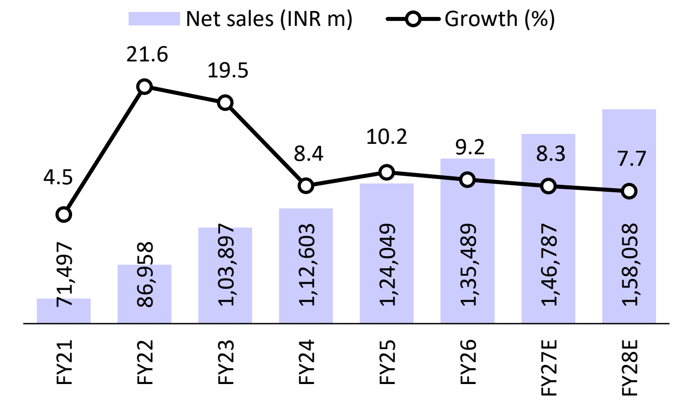
Exhibit 2: One-year forward P/B (x) band



Source: MOFSL

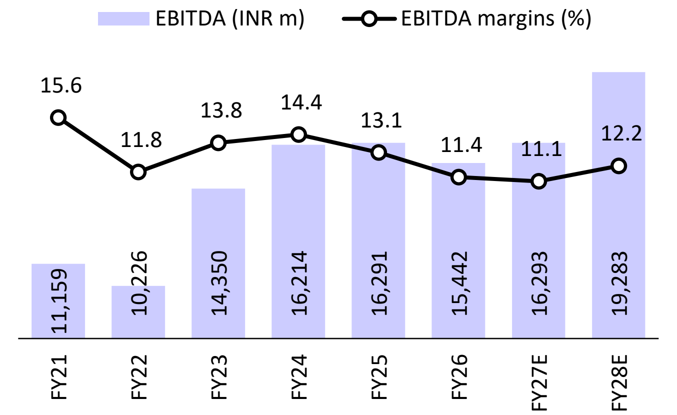
Story in charts

Exhibit 3: Trend in revenue



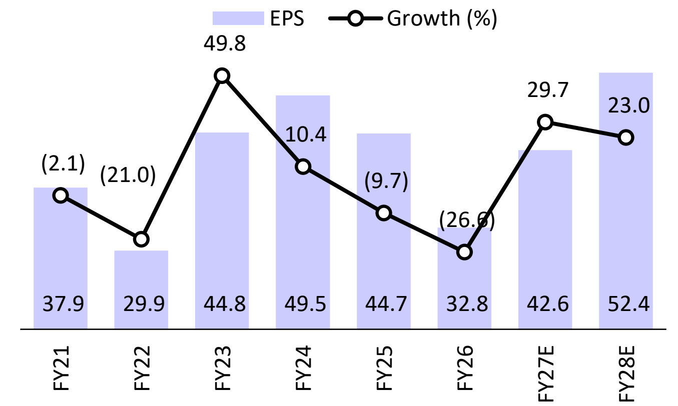
Source: Company, MOFSL

Exhibit 4: EBITDA and EBITDA margin trends



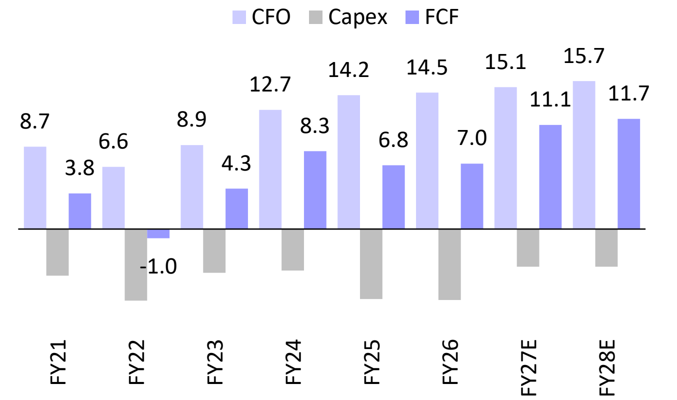
Source: Company, MOFSL

Exhibit 5: Earnings likely to see a rebound in FY28E



Source: Company, MOFSL

Exhibit 6: Trends in CFO, capex, and FCF



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	**71,497**	**86,958**	**1,03,897**	**1,12,603**	**1,24,049**	**1,35,489**	**1,46,787**	**1,58,058**
Change (%)	4.5	21.6	19.5	8.4	10.2	9.2	8.3	7.7
EBITDA	**11,159**	**10,226**	**14,350**	**16,214**	**16,291**	**15,442**	**16,293**	**19,283**
Margin (%)	15.6	11.8	13.8	14.4	13.1	11.4	11.1	12.2
Growth	1.6	-8.4	40.3	13.0	0.5	-5.2	5.5	18.3
Depreciation	3,192	3,957	4,504	4,787	4,921	5,477	6,018	6,338
EBIT	**7,967**	**6,269**	**9,846**	**11,427**	**11,370**	**9,965**	**10,276**	**12,945**
Int. and Finance Charges	105	151	296	332	422	407	600	770
Other Income - Rec.	874	780	897	1,015	933	919	827	745
PBT bef. EO Exp.	**8,736**	**6,898**	**10,447**	**12,110**	**11,881**	**10,478**	**10,503**	**12,920**
EO Expense/(Income)	0	0	477	0	1,111	2,591	0	0
PBT after EO Exp.	**8,736**	**6,898**	**9,970**	**12,110**	**10,770**	**7,887**	**10,503**	**12,920**
Current Tax	2,265	1,786	2,620	3,191	3,259	3,198	2,731	3,359
Deferred Tax	0	0	43	-140	93	167	-21	-26
Tax Rate (%)	25.9	25.9	26.7	25.2	31.1	42.7	25.8	25.8
Reported PAT	**6,470**	**5,112**	**7,307**	**9,059**	**7,418**	**4,522**	**7,793**	**9,587**
PAT Adj for EO items	**6,470**	**5,113**	**7,656**	**9,059**	**8,183**	**6,007**	**7,793**	**9,587**
Change (%)	-2.1	-21.0	49.8	18.3	-9.7	-26.6	29.7	23.0

Standalone - Balance Sheet

(INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	171	171	171	183	183	183	183	183
Total Reserves	41,932	45,343	59,886	67,504	73,600	81,425	87,662	95,327
Net Worth	**42,103**	**45,514**	**60,056**	**67,687**	**73,783**	**81,608**	**87,845**	**95,510**
Deferred Liabilities	407	314	1,036	885	732	899	878	852
Total Loans	234	234	2,014	1,527	2,583	3,778	5,628	8,028
Capital Employed	**42,744**	**46,062**	**63,106**	**70,098**	**77,098**	**86,285**	**94,351**	**1,04,390**
Gross Block	38,628	42,498	57,236	59,035	62,617	71,796	75,796	79,796
Less: Accum. Deprn.	14,081	17,575	20,354	23,532	27,870	32,505	38,523	44,860
Net Fixed Assets	**24,548**	**24,923**	**36,882**	**35,503**	**34,747**	**39,291**	**37,273**	**34,936**
Capital WIP	3,993	8,297	2,343	3,217	8,441	5,875	5,875	5,875
Total Investments	**2,805**	**778**	**4,860**	**14,791**	**19,979**	**25,855**	**37,855**	**49,855**
Curr. Assets, Loans&Adv.	**26,625**	**29,761**	**35,288**	**34,833**	**36,763**	**40,232**	**41,225**	**44,463**
Inventory	14,382	18,038	16,752	18,095	20,364	22,828	23,727	25,549
Account Receivables	7,875	7,926	7,797	10,171	11,428	11,673	12,467	13,424
Cash and Bank Balance	967	343	894	892	1,528	1,022	627	748
Loans and Advances	3,401	3,455	9,845	5,674	3,443	4,709	4,404	4,742
Curr. Liability & Prov.	**15,227**	**17,697**	**16,267**	**18,245**	**22,832**	**24,968**	**27,877**	**30,738**
Account Payables	7,465	8,065	7,514	8,398	10,465	12,028	12,869	13,857
Other Current Liabilities	5,623	7,177	6,005	6,924	8,863	7,430	10,275	11,064
Provisions	2,140	2,455	2,749	2,923	3,503	5,510	4,733	5,817
Net Current Assets	**11,398**	**12,064**	**19,021**	**16,588**	**13,931**	**15,264**	**13,348**	**13,725**
Appl. of Funds	**42,744**	**46,062**	**63,106**	**70,098**	**77,099**	**86,285**	**94,351**	**1,04,390**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	**37.9**	**29.9**	**44.8**	**49.5**	**44.7**	**32.8**	**42.6**	**52.4**
Growth	-2.1	-21.0	49.8	10.4	-9.7	-26.6	29.7	23.0
Cash EPS	56.6	53.1	71.2	75.7	71.6	62.8	75.5	87.0
BV/Share	246.5	266.5	351.6	369.9	403.2	445.9	480.0	521.9
DPS	11.0	4.5	6.1	9.9	10.5	10.6	8.5	10.5
Payout (%)	29.0	15.0	14.3	20.0	25.9	42.9	20.0	20.0
Valuation (x)								
P/E	24.0	30.3	20.3	18.3	20.3	27.7	21.3	17.3
Cash P/E	16.1	17.1	12.8	12.0	12.7	14.5	12.0	10.4
P/BV	3.7	3.4	2.6	2.5	2.3	2.0	1.9	1.7
EV/Sales	2.3	1.9	1.6	1.5	1.4	1.3	1.2	1.1
EV/EBITDA	14.9	16.4	11.7	10.4	10.3	11.0	10.6	9.1
Dividend Yield (%)	1.2	0.5	0.7	1.1	1.2	1.2	0.9	1.2
FCF per share	17.9	-7.4	28.8	47.8	34.5	32.1	60.4	63.9
Return Ratios (%)								
RoE	16.5	11.7	14.5	14.2	11.6	7.7	9.2	10.5
RoCE	16.4	11.8	14.4	14.0	11.5	7.6	9.1	10.2
RoIC	19.0	13.0	15.7	16.1	15.9	11.3	14.7	19.6
Working Capital Ratios								
Inventory (Days)	73.4	75.7	58.9	58.7	59.9	61.5	59.0	59.0
Debtor (Days)	40	33	27	33	34	31	31	31
Creditor (Days)	38	34	26	27	31	32	32	32
Working Capital Turnover (Days)	53	49	64	51	36	38	32	30
Leverage Ratio (x)								
Current Ratio	1.7	1.7	2.2	1.9	1.6	1.6	1.5	1.4
Interest Cover Ratio	76	42	33	34	27	25	17	17

Standalone - Cash Flow Statement **(INR M)**

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net P/L Before Tax and E/O Items	8,733	6,898	10,447	12,110	12,992	13,069	10,503	12,920
Depreciation	3,192	3,957	4,504	4,787	4,921	5,477	6,018	6,338
Interest & Finance Charges	105	151	-601	-684	-511	-513	-227	25
Direct Taxes Paid	1,995	1,993	2,563	3,289	3,283	3,035	2,710	3,333
(Inc)/Dec in WC	-1,301	-2,406	-2,866	-271	85	-528	1,470	-256
CF from Operations	**8,734**	**6,607**	**8,921**	**12,654**	**14,204**	**14,471**	**15,054**	**15,693**
Others	-714	-277	641	488	-452	-1,071	0	0
CF from Operating incl EO	**8,020**	**6,329**	**9,562**	**13,142**	**13,752**	**13,400**	**15,054**	**15,693**
(inc)/dec in FA	-4,964	-7,598	-4,647	-4,401	-7,440	-7,518	-4,000	-4,000
Free Cash Flow	**3,056**	**-1,268**	**4,915**	**8,741**	**6,312**	**5,882**	**11,054**	**11,693**
(Pur)/Sale of Investments	-14,598	-13,440	-27,976	-35,190	-37,490	-37,031	0	0
Others	13,212	16,219	24,731	28,871	33,386	31,905	-11,173	-11,255
CF from Investments	**-6,350**	**-4,819**	**-7,892**	**-10,720**	**-11,543**	**-12,645**	**-15,173**	**-15,255**
(Inc)/Dec in Debt	-321	-359	-377	-871	583	915	1,879	2,374
Interest Paid	-40	-67	-161	-188	-253	-236	-600	-770
Dividend Paid	-854	-1,708	-581	-1,367	-1,904	-1,940	-1,556	-1,922
CF from Fin. Activity	**-1,215**	**-2,135**	**-1,119**	**-2,425**	**-1,573**	**-1,261**	**-277**	**-317**
Inc/Dec of Cash	**455**	**-624**	**551**	**-2**	**636**	**-506**	**-395**	**121**
Add: Beginning Balance	512	967	343	894	892	1,528	1,022	627
Closing Balance	**967**	**343**	**894**	**892**	**1,528**	**1,022**	**627**	**748**

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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