



Margin normalisation pushed out further

Amara Raja's (AMRJ) 3Q results were weak (Ebitda down 10% yoy) and much lower than expected (20% miss) as both revenue growth and margins disappointed. Revenue growth was hurt by low growth in Auto after-market (base effect yoy), volume decline in telecom and exports. We expect overall growth to revert to long-term average of 8-9% with improvement in auto-market segment and revival of exports to US (zero in 3Q) after reduction in tariffs. Margins are hurt by higher input costs (commodity inflation), which may continue in 4Q, as price hike of 2% in Jan is behind the curve. Company specific margin catalysts (self-manufacturing of tubular batteries vs trading now) and commencement of battery recycling should support margins in FY27. We cut EPS estimates by 10-12% primarily on lower margins. Retain ADD with TP of Rs1030.

3Q weaker than expectations: 3QFY26 revenue grew 6% YoY but was 6% below our estimate. Gross margin contracted 100bps QoQ to 31.8% and missed our estimates by 130bps. Ebitda margin contracted 80bps QoQ to 11.2% (200bps miss). Absolute Ebitda missed estimates by 20% due to miss on top-line and weaker GM. Adj. PAT was 26% below expectations

Revenue growth weak in 3Q but should stabilise: Revenue growth was weak in 3Q with auto aftermarket up low single digit and telecom and exports down yoy. Mgmt. attributed low growth in after-market to base effect and is confident of growth reverting to 6-8% on a sustainable basis. Exports were weak as shipments to US were discontinued in 3Q but should revert to normal when tariffs are reduced. Overall, we forecast 8-9% revenue growth over FY26-28ii.

Margins at long-term trough but may take 1-2 quarters to normalise: Battery industry Ebitda margins (EXID+AMRJ) is at a long-term trough of 11-12% vs pre-Covid average of 15%. AMRJ mgmt. is hopeful of getting margins back to the 13-14% range. In 3Q, rise in input costs and operating expenses hurt margins. We expect operating expenses (provisions for warranty, EPR, etc.) to improve in coming quarters. Input cost increase will hurt further in 4Q. However, AMRJ implemented 2% price hike in Jan to partly offset the impact. Commencement of tubular battery manufacturing (vs low margin trading now) and battery recycling should support margins in coming quarters.

Result update

CMP	Rs861
12-mth TP (Rs)	1030 (20%)
Market cap (US\$m)	1,740
Enterprise value(US\$m)	1,721
Bloomberg	ARENM IN
Sector	Auto

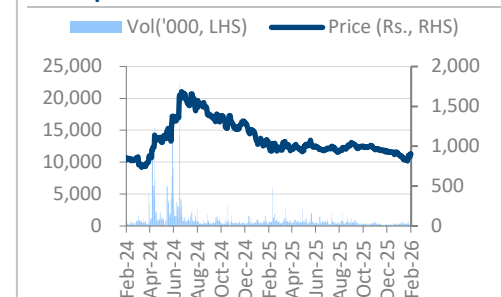
Shareholding pattern (%)

Promoter	32.9
Pledged (as % of promoter share)	0.0
FII	18.0
DII	17.4
52Wk High/Low (Rs)	1077/816
Shares o/s (m)	183
Del Value 3mth avg (US\$ m)	1.8
Dividend yield FY27ii (%)	1.4
Free float (%)	67.1

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(3.1)	(10.6)	(13.8)
Absolute (US\$)	(3.5)	(12.6)	(17.3)
Relative Perf.	(4.6)	(5.6)	(19.4)
Cagr (%)		3 yrs	5 yrs
EPS (Rs)		15.9	3.8

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	112,603	124,049	133,714	145,690	158,991
Ebitda margins (%)	14.4	13.1	11.7	12.6	13.1
Pre-exceptional PAT (Rs m)	9,059	8,528	7,850	9,376	10,930
Reported PAT (Rs m)	9,059	9,639	8,435	9,376	10,930
Pre-exceptional EPS (Rs)	52.1	46.6	42.9	51.2	59.7
Growth (%)	19.9	-10.6	-8	19.4	16.6
IIFL vs consensus (%)			(7.7)	(8.9)	(5.3)
PER (x)	16.5	18.5	20.1	16.8	14.4
ROE (%)	15.6	12.8	10.8	11.8	12.5
Net debt/equity (x)	0.0	0.0	0.0	0.1	0.1
EV/Ebitda (x)	9.1	9.6	10.3	8.8	7.8
Price/book (x)	2.4	2.3	2.1	1.9	1.7
OCF/Ebitda (x)	0.8	0.8	0.8	0.8	0.8

Source: Company, IIFL Research. Priced as on 12 February 2026



Figure 1: Amara Raja – 3QFY26 Ebitda 20% below estimate

Rsmn	3QFY25	2QFY26	3QFY26	% YoY	% QoQ
Net Sales	31,640	33,882	33,508	5.9	(1.1)
Raw Material	21,164	22,776	22,868	8.1	0.4
Employee costs	1,912	2,231	2,046	7.0	(8.3)
Other Expenditure	4,406	4,816	4,849	10.1	0.7
Ebitda	4,158	4,059	3,745	(9.9)	(7.7)
Depreciation	1,233	1,380	1,409	14.2	2.1
Interest	107	83	87	(18.4)	5.2
Other income	293	241	263	(9.9)	9.4
Exceptional items	(1,111)	(1,218)	438		
PBT	4,222	4,056	2,075	(50.9)	(48.8)
Tax	1,103	1,032	558	(49.4)	(45.9)
Reported PAT	3,118	3,024	1,517	(51.4)	(49.8)
Exceptional items	(1,111)	(913)	329		
Pro-Forma PAT	2,008	2,111	1,845	(8.1)	(12.6)
Gross margin	33.1%	32.8%	31.8%	(136) bps	(103) bps
EBITDA margin	13.1%	12.0%	11.2%	(197) bps	(80) bps
Adj. PAT margin	6.3%	6.2%	5.5%	(84) bps	(72) bps

Source: Company, IIFL Research

AMRJ's 3QFY26 revenue grew 6% YoY but was 6% below our estimate.

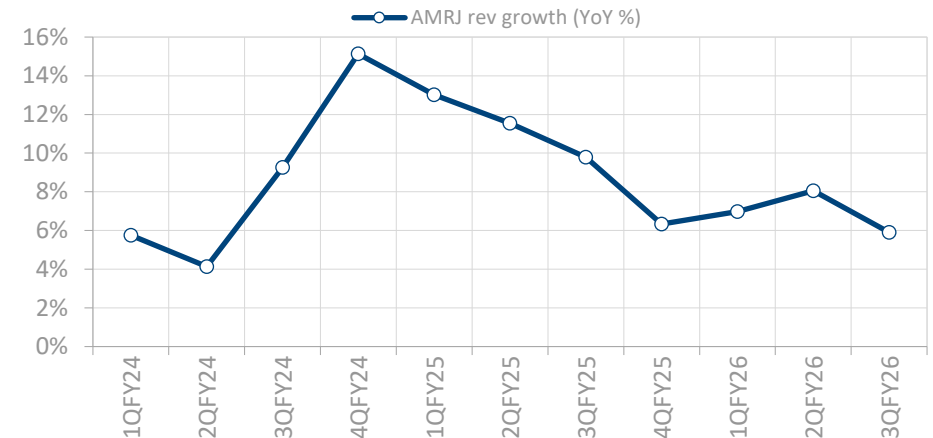
Absolute Ebitda missed estimates by 20% due to miss on top-line and weaker GM.

Gross margin contracted 100bps QoQ to 31.8% in 3QFY26 and missed our expectations by 130bps

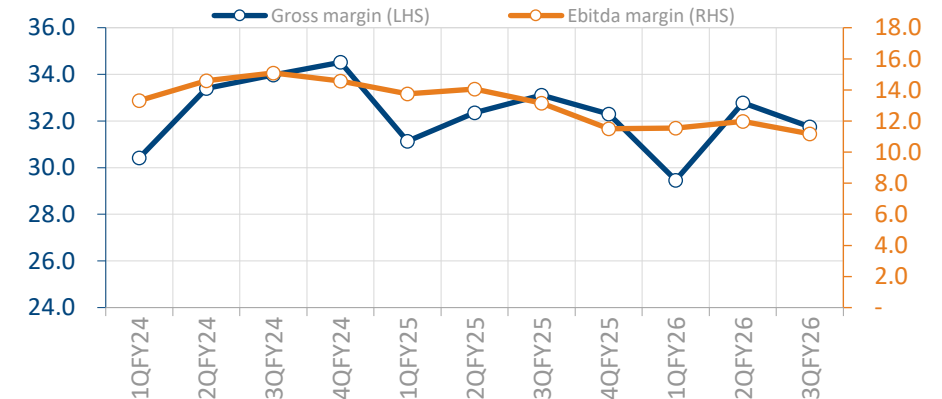
Ebitda margin contracted 80bps QoQ to 11.2% (200 bps miss).

Conference call: Key takeaways

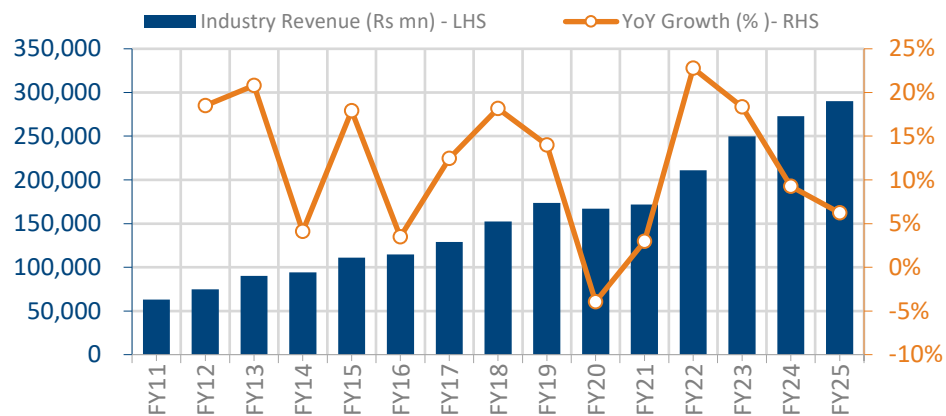
1. Muted revenue growth in 3Q was due to low growth in auto aftermarket segment and lead-acid telecom sales, coupled up with weak exports.
2. Exports fell yoy due to a high base from last year's US supplies and no US shipments this quarter, along with higher competitive intensity in Middle East and Asia-Pacific markets.
3. After-market segment was weak with low single-digit growth in 3Q, owing to a high base effect.
4. Industrial segment performance was mixed with UPS up ~5% and home inverter up ~10%, while telecom declined ~45%. Telecom now contributes less than 5% of total revenue.
5. Raw material cost pressures increased due to rise in tin alloys, sulfuric acid and antimony prices along with adverse mix. 2% price hike was taken in Jan'26.
6. BESS estimated market demand is 25–30GWh by FY31, while the company is setting up a 5GWh integrated facility with ~Rs2.8bn capex, targeted to be operational by end-FY27. It has asset/turnover ratio of 9-10x.
7. Rs 9.5bn (Rs 6.5bn – lead acid and Rs 3bn -new energy business) of capex has been incurred FY26YTD. Total investment incurred for new energy business now stands at Rs14bn. Capex guidance for the lead acid business is Rs7.5 - 8bn for FY26. For FY27, capex for lead acid is Rs 3-4bn and new energy business is ~Rs10bn.
8. Mgmt. targets to achieve a margin of 13%-14% in the long term. The tubular plant is ramping up in 3Q and should aid in margin expansion.

Figure 2: Revenue growth has come off


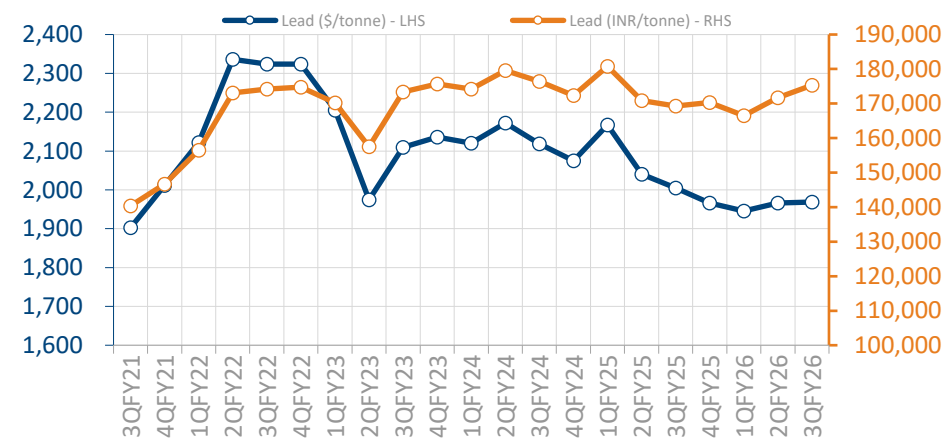
Source: Company; IIFL Research

Figure 3: GM contracted 100bps qoq in 3QFY26 and missed estimates by 130bps


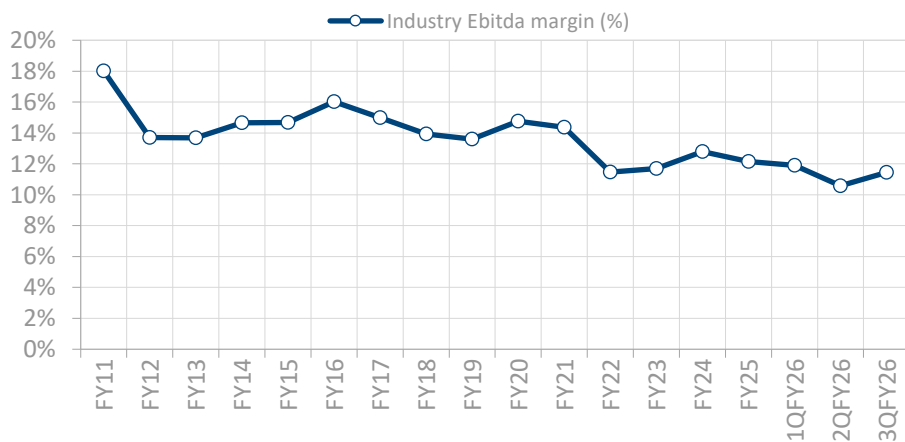
Source: Company; IIFL Research

Figure 4: Battery industry – Only one instance of revenue decline in last 25 years


Source: Company, IIFL Research; Industry growth based on aggregate revenue of Exide & AMRJ

Figure 6: Lead price has started inching upwards recently


Source: Bloomberg, IIFL Research

Figure 5: Current Industry Ebitda margin at long-term trough


Source: Company, IIFL Research; Industry margins based on 'Exide + AMRJ'

Figure 7: Amara Raja – Summary of estimates

Financials (in Rsmn)	FY24	FY25	FY26ii	FY27ii	FY28ii
Revenue	112,603	124,049	133,714	145,690	158,991
Revenue growth	8.4%	10.2%	7.8%	9.0%	9.1%
Ebitda	16,214	16,291	15,618	18,370	20,778
Ebitda margin	14.4%	13.1%	11.7%	12.6%	13.1%
PAT	9,059	8,528	7,850	9,376	10,930
PAT growth	22.1%	-5.9%	-8.0%	19.4%	16.6%
EPS (Rs)	52.1	46.6	42.9	51.2	59.7

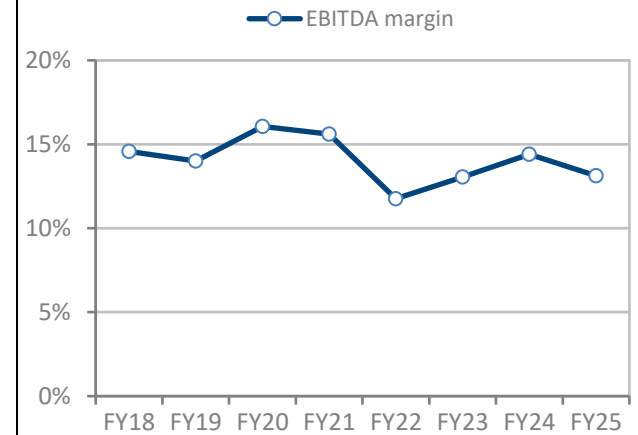
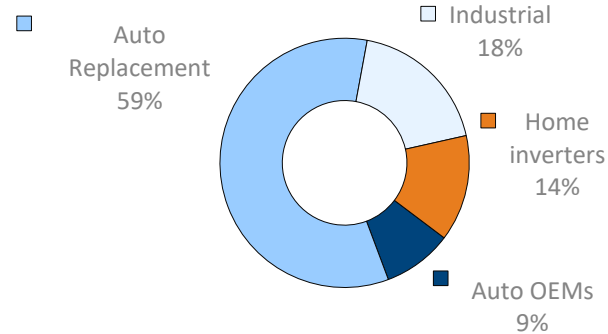
Source: Company, IIFL Research

Background: Amara Raja Energy & Mobility Limited, 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. The leading brands of the company are 'Amaron', 'PowerZone', 'Power Stack', 'AmaronVolt' and 'Quanta'. Its erstwhile association with Johnson Controls enhanced Amara Raja's technological capabilities and enabled it to steadily increase market share. It has introduced innovative products such as VRLA (Valve Regulated Lead Acid) batteries in both, the industrial and 2W segments. The company offers Li-ion cells, battery packs and charging solutions for light electric vehicles and telecom industry.

Management

Name	Designation
Jayadev Galla	Chairman & MD
Y Delli Babu	CFO
S Vijayanand	CEO - ARACT

Revenue split by segments (FY25)



PE Chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues	112,603	124,049	133,714	145,690	158,991
Ebitda	16,214	16,291	15,618	18,370	20,778
Depreciation and amortisation	(4,787)	(4,921)	(5,569)	(6,037)	(6,344)
Ebit	11,427	11,370	10,049	12,333	14,434
Non-operating income	1,015	933	894	897	1,009
Financial expense	(332)	(422)	(400)	(645)	(772)
PBT	12,110	11,881	10,542	12,586	14,671
Exceptionals	0	1,111	780	0	0
Reported PBT	12,110	12,992	11,322	12,586	14,671
Tax expense	(3,052)	(3,353)	(2,887)	(3,209)	(3,741)
PAT	9,059	9,639	8,435	9,376	10,930
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	9,059	9,639	8,435	9,376	10,930

Ratio analysis

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Per share data (Rs)					
Pre-exceptional EPS	52.1	46.6	42.9	51.2	59.7
DPS	9.9	10.5	10.0	12.0	13.0
BVPS	364.7	379.7	412.1	453.4	501.1
Growth ratios (%)					
Revenues	8.4	10.2	7.8	9.0	9.1
Ebitda	19.6	0.5	(4.1)	17.6	13.1
EPS	19.9	(10.6)	(8.0)	19.4	16.6
Profitability ratios (%)					
Ebitda margin	14.4	13.1	11.7	12.6	13.1
Ebit margin	10.1	9.2	7.5	8.5	9.1
Tax rate	25.2	25.8	25.5	25.5	25.5
Net profit margin	8.0	7.8	6.3	6.4	6.9
Return ratios (%)					
ROE	15.6	12.8	10.8	11.8	12.5
ROIC ex goodwill	18.1	18.2	15.5	18.6	22.1
ROIC	17.3	16.7	14.2	17.1	20.3
Solvency ratios (x)					
Net debt to Ebitda	(0.1)	(0.1)	0.2	0.2	0.2
Interest coverage	34.4	26.9	25.1	19.1	18.7

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Cash & cash equivalents	3,694	4,303	3,836	4,247	4,517
Inventories	18,095	20,364	22,100	23,813	25,820
Receivables	10,171	11,428	12,318	13,422	14,647
Other current assets	5,522	3,318	3,576	3,896	4,252
Creditors	8,398	10,465	11,281	12,291	13,413
Other current liabilities	9,847	12,366	13,471	14,425	15,583
Net current assets	19,237	16,581	17,079	18,662	20,239
Fixed assets	33,923	38,580	40,511	38,473	36,630
Intangibles	517	328	328	328	328
Investments	12,142	17,330	24,830	34,830	44,830
Other long-term assets	0	0	0	0	0
Total net assets	65,818	72,819	82,747	92,293	102,027
Borrowings	1,527	2,583	6,583	8,583	9,583
Other long-term liabilities	885	732	732	732	732
Shareholders equity	63,407	69,503	75,431	82,977	91,711
Total liabilities	65,818	72,819	82,747	92,293	102,027

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Ebit	11,427	11,370	10,049	12,333	14,434
Tax paid	(3,289)	(3,283)	(2,887)	(3,209)	(3,741)
Depreciation and amortization	4,787	4,921	5,569	6,037	6,344
Net working capital change	(271)	85	(964)	(1,173)	(1,308)
Other operating items	488	659	195	0	0
Operating cash flow before interest	13,142	13,752	11,961	13,988	15,729
Financial expense	(188)	(253)	(400)	(645)	(772)
Non-operating income	49	30	894	897	1,009
Operating cash flow after interest	13,004	13,530	12,455	14,241	15,966
Capital expenditure	(5,425)	(6,522)	(7,500)	(4,000)	(4,500)
Long-term investments	(4,085)	(6,907)	(7,500)	(10,000)	(10,000)
Others	1,202	1,828	0	0	0
Free cash flow	4,696	1,929	(2,545)	241	1,466
Equity raising	0	0	0	0	0
Borrowings	(871)	590	4,000	2,000	1,000
Dividend	(1,367)	(1,904)	(1,922)	(1,830)	(2,196)
Net chg in cash and equivalents	2,458	616	(467)	411	270

Source: Company data, IIFL Research

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Key to our recommendation structure

BUY - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

SELL - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

Add - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

Reduce - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

Distribution of Ratings: Out of 315 stocks rated in the IIFL coverage universe, 173 have BUY ratings, 7 have SELL ratings, 96 have ADD ratings, 0 have NR ratings and 38 have REDUCE ratings

Price Target: Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

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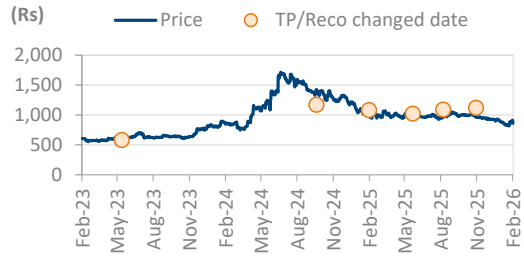
Name, Qualification and Certification of Research Analyst: Joseph George(Chartered Accountant, Chartered Financial Analyst), Ankit Ruparel(Chartered Accountant), Ishaan Singh(MBA)

Joseph George





Amara Raja Energy & Mobility: 3 year price and



Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
10 Nov 2025	ADD	980	1120	14.3
19 Aug 2025	ADD	955	1090	14.1
02 Jun 2025	REDUCE	1031	1020	-1.1
11 Feb 2025	REDUCE	1032	1080	4.7
30 Sep 2024	REDUCE	1330	1170	-12.0
24 May 2023	REDUCE	635	580	-8.7