Company Name: Amara Raja Energy and Mobility Ltd

Quarter under review: Q1-FY27

Amara Raja Energy and Mobility Ltd – Q1-FY27 Concall Highlights:

Amara Raja Energy and Mobility Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	42,145	34,011	23.9%	35,357	19.2%
EBITDA	4,059	3,635	11.7%	3,855	5.3%
EBITDA M (%)	9.63%	10.69%	-106 bps	10.90%	-127 bps
PAT	1,909	1,648	15.8%	3,143	-39.3%
PAT M (%)	4.53%	4.85%	-32 bps	8.89%	-436 bps
Diluted EPS	10.43	9.00	15.9%	17.17	-39.3%

Operational Highlights:

- Strong broad-based growth in lead-acid business segment with revenue up by ~22% YoY, supported by healthy automotive OEM, aftermarket and industrial demand. Automotive aftermarket volumes grew ~15% YoY in both 2W and 4W, while 4W/2W OEM volumes increased ~24%/>35% YoY respectively.
- Automotive Aftermarket momentum remains robust with structural growth expectations of low-double digits in 2W and around 7–8% in 4W, although growth is expected to moderate gradually on a larger base and rising EV penetration.
- Home energy continues to outperform with growth exceeding 60% YoY, led by strong demand for tubular batteries and home UPS. Tubular manufacturing capacity operated at 100% utilisation, requiring the company to supplement demand through traded batteries.
- International automotive volumes declined ~20% YoY, primarily due to Middle East disruptions and higher freight costs caused by rerouting. with recovery possible if the geopolitical situation normalises.
- Industrial growth remained muted: Industrial lead-acid revenue increased only ~2% YoY, although UPS battery volumes grew ~10%. Telecom lead-acid continues to decline structurally as customers migrate toward lithium-ion.
- Telecom lithium-ion volumes grew ~60% YoY, helping offset the decline in lead-acid telecom batteries. Importantly, ARBL maintained >60% combined market share across lead-acid + lithium-ion telecom batteries**.**
- New Energy revenue increased >70% YoY to ~INR 209 crore, with EV and telecom pack volumes both growing by more than 60%. Growth was driven by telecom packs, 3W batteries and EV applications.
- The customer qualification plant was inaugurated in July with multi-form/multi-chemistry capability, enabling customer sampling, qualification and process-development ahead of large-scale cell manufacturing
- Giga One site development remains on track with expected commercialization timeline of H1 FY28, with ongoing work focused on cell development, customer qualification and industrialization capabilities.
- Development of a 10 GWh battery-energy-storage facility with initial capex of INR 250–300 crore is expected to have operating margins of ~5–8%, with margin expansion possibility as localization progesses.
- FY27 capex is guided at around INR 1,700 crore, including ~INR 1,300 crore toward New Energy and ~INR 400 crore toward lead-acid/recycling.

Key Questions & Answers discussed during the Concall:

- **What price hikes were taken in Q1 and have they fully offset the rise in raw-material costs?** We took ~3% price hikes in Q1, but these did not fully offset higher poly, sulfuric acid, tin and alloy costs. Another 2–3% hike is being implemented; B2B pass-through will lag due to customer negotiations, with management expecting most of the margin impact to be recovered by Q2/Q3 if input prices stabilize.

- **Which higher other expenses are non-recurring?** Brand promotion will remain elevated for some time but should normalise over the next few quarters. Higher warranty provisioning from increased product costs creates a one-time P&L impact, while freight/fuel costs could remain elevated if geopolitical disruptions persist.

- **What are the expected capex, asset turns, margins and competitive advantages of BESS?** Initial BESS capex is estimated at INR 250–300 crore for 10 GWh capacity, with containerised solutions priced around USD 100–120. Asset turns should be relatively high, while operating margins are expected at 5–6%/6–7%, potentially reaching 7–8% with greater localisation; the business also provides a route toward domestic cell localization

- **What is the broad split of the ~0.9% margin impact from higher expenses?** The increase was driven by brand promotion, Amaron Assist and Factory of the Future/manufacturing throughput initiatives, along with higher warranty provisioning, power and freight costs. Some manufacturing-related expenditure is treated as revenue expenditure despite improving throughput.

- **What is the status of equipment for the 2 GWh NMC line?** Equipment has been ordered and is due for delivery in Q3 FY27.

- **What utilization can BESS achieve and are customer commitments already in place?** Reasonable visibility from major EPC players and Indian power-generation projects, with additional export opportunities is seen. It expects the facility could reach around 5 GWh utilisation within ~6 months of completion, although this is based on market/order-flow visibility rather than fully committed orders.

- **Is the 5 GWh utilization target within six months achievable?** It is believed that 5 GWh run-rate within ~6–7 months is possible based on current market demand and order opportunities. However, it clarified that the level is not fully backed by confirmed orders and will depend on subsequent demand and market seeding.

- **What is the outlook for exports and how are the various industrial categories performing?** Automotive exports declined ~20% YoY, mainly due to lower Middle East shipments and expensive alternative shipping routes; management expects recovery if geopolitical conditions normalize. UPS volumes grew ~10%, while telecom lead-acid declined due to lithium migration, partly offset by strong telecom lithium-ion growth; smaller industrial segments grew ~5–6%

- **Will telecom/ESS customer acceptance be faster than EV homologation?** EV customers require extensive B-sample/C-sample testing and homologation, although the qualification plant should accelerate the process and reduce Giga One ramp-up costs. ESS acceptance can be substantially faster than EV, although critical telecom applications will still require extensive testing.

Key Questions & Answers discussed during the Concall:

- **Will ARBL participate in the new 10 GWh PLI tender?** We are evaluating the tender documents and qualification criteria and intends to participate, while currently assessing the best approach.

- **With the earlier technology partnership issues, is ARBL also affected on NMC and is it seeking a new LFP partner?** There is a Plan B was always to build internal capability. The earlier NMC technology was brought in and subsequently improved internally based on customer requirements; future external partnerships may be considered selectively, but broad China-based technology arrangements are difficult given geopolitical restrictions.

- **Is the earlier 16 GWh FY30 target still on track?** 16 GWh was based on the earlier strategy and is not a rigid target. Capacity will now be built according to actual customer demand and required cell types, as redundant capacity would significantly hurt financial returns

- **How should investors look at lead-acid volume growth and replacement-market strength?** We see potential for low-double-digit 2W aftermarket growth and around 7–8% in 4W, although growth will moderate with the larger base and EV penetration. Across industrial, mobility and exports, the overall lead-acid business could potentially deliver ~9–10% medium-term revenue growth, supported by export recovery.

- **How much additional R&D investment is required?** We expects to spend around INR 100–150 crore during FY27 on cell-development R&D. The focus is not only cell chemistry/product development but also achieving the required industrial throughput, process yields and scrap levels before commercialization.

- **Does the holding company have enough funding capacity for future investments?** Cash generation of INR 700–800 crore annual post-tax, post-dividend, providing meaningful funding capacity for the New Energy business. However, capital allocation will remain disciplined and future investments will depend on the economics and risk of individual cell capacities.

- **What are the raw-material supply risks for lithium cells?** We remain dependent on China for cathode materials, although domestic localisation efforts are underway. We expect the industry to gradually localize the supply chain, supported by government policy, but the transition will take time.

- **Is lithium-cell technology evolving rapidly, or can a developed cell be supplied for several years without major R&D?** We believe the speed of technology change has moderated, but ongoing R&D will remain necessary. Plants should therefore be designed with fungibility between cell types, allowing equipment/capacity to adapt as technology and customer requirements change.

Key Participants:

- Kapil Singh — Nomura
- Vibhav Zurchi — JP Morgan
- Moksh Mandesha — Anand Rathi Institutional Equities
- Raghunandhan — Nuvama Research
- Shubham — Investec
- Rishi Vora — Kotak Securities
- Dipesh Joshi — Indira Securities

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