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Amara Raja Energy and Mobility AMAR.NS ARENM IN

Global Markets Research
27 May 2026

EQUITY: AUTOS & AUTO PARTS

New energy transition risks remain elevated

Quick Note

Rating Remains	Neutral
Target price Remains	INR 942
Closing price 26 May 2026	INR 889

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4QFY26 EBITDA margin at 10.9%, below our (11.3%) and consensus (11.7%) estimates

- ARENM's 4QFY26 revenue at INR34.6bn (16% y-y) was higher than both our and Bloomberg consensus estimates by 7%. The EBITDA margin at 10.9% was below both our estimates (Nomura: 11.3%) and consensus (11.7%) (*Fig. 1*). Higher RM/sales at 70.2%, +200bp q-q (Nomura: 67.5%) was the key reason for miss. Staff costs/sales was at 6.2%, (Nomura: 6.2%), Other cost/sales was lower at 12.7% down 180bp q-q (Nomura: 15.0%). Adjusted PAT at INR1.8bn grew +13% y-y.
- **Management commentary: Outlook:** Mid-to-high single digit growth expected in FY27E for the industry. **Demand**: OEMs' growth was +30% y-y in 4Q, aftermarket was 4-6% y-y for both 2W and 4W; Tubular batteries grew 30%+ in 4Q. Telecom remains a drag, supplied 300MW of lithium battery packs to telecom players; Industrial ex telecom 4Q growth at 3%. **New Energy:** Revenue at INR2.8bn in 4Q. **BESS:** 5GwH BESS plant from 4QFY27E. **Margins:** Commodity continues to create pressure; 5-6% price hike in 4Q; upto 2-3% needed in the future. **EBITDA margin target of 13-14% intact for the long term**. BESS margins at 6-7%. Recycling plant benefit of 0.5% in 4Q. **Capex:** FY27E capex at INR15-17bn; INR4bn for lead-acid and INR11-12bn for li-ion.
- **Our view:** Success in new energy remains a key monitorable for AMRJ. The base lead acid business is a cash cow, but will likely slow down over the next decade as market shifts to EVs. EV 2Ws do not have a lead acid battery. For BEVs – auxillary battery for Tesla (TSLA US, Not Rated), BYD (1211 HK, Buy) and few other companies have already transitioned to li-ion. As costs come down, this risk could also emerge in future for ICE PVs also. Also, AMRJ's NMC cell plant may also face utilization risks as most OEMs are shifting to LFP. Its tie-up with Gotion (002074 CH, Neutral) for LFP is not progressing as China has restricted technology transfer. So we believe the company will develop its own technology for the same.
- We believe incremental cash flows for the company are going to move towards new energy where there various kinds of risks. It is a B2B, capital-intensive and lower-ROCE business. There could also be risks on account of lack of tech for upcoming new chemistries. Within BESS, there is intense competition and since the company will be importing cells, it could result in low margins for this segment, in our view. We will assess the potential of BESS and incorporate the same into our estimates. **We continue to maintain a Neutral rating on the stock with a TP of INR942.**

Fig. 1: Quarterly - Nomura vs consensus

	INR mn			% difference from	
	Actual	Consensus	Nomura	Consensus	Nomura
Net Sales	34,599	32,350	32,467	7.0%	6.6%
EBITDA	3,771	3,785	3,679	-0.4%	2.5%
Margin	10.9%	11.7%	11.3%		
Adj PAT	1,883	1,826	1,759	3.1%	7.1%

Source: Company data, Bloomberg consensus, Nomura estimates

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4QFY26 results: EBITDA margin below estimates

- 4QFY26 revenue at INR34.6bn (16% y-y) was higher than both our and consensus estimates by (7%).
- EBITDA margin at 10.9% was below both our (Nomura: 11.3%) and consensus (11.7%) estimates. Higher RM/sales at 70.2%, +199bp q-q (Nomura: 69.1%) and staff costs/sales q-q of 6.2% (Nomura: 6.2%). Other overheads/sales at 12.7% was down 180bp q-q (Nomura: 15.0%) which offset the impact on margins.
- Adjusted PAT at INR1.8bn grew +13% y-y.

Fig. 2: Quarterly financial summary

INR mn	Mar-25	Dec-25	Mar-26	YoY	QoQ	Mar/26F	FY25	FY26	YoY
Net Sales	**29,739**	**33,508**	**34,599**	**16.3%**	**3.3%**	**32,467**	**124,049**	**135,489**	**9.2%**
Operating Costs	26,316	29,763	30,828	17.1%	3.6%	28,788	107,758	120,046	11.4%
Material Costs	20,132	22,868	24,302	20.7%	6.3%	21,915	84,071	93,574	11.3%
As % of Net Sales	*67.7%*	*68.2%*	*70.2%*	254 bps	199 bps	*67.5%*	*67.8%*	*69.1%*	*1.9%*
Personnel Costs	1,801	2,046	2,143	19.0%	4.7%	2,017	7,468	8,396	12.4%
As % of Net Sales	*6.1%*	*6.1%*	*6.2%*	14 bps	9 bps	*6.2%*	*6.0%*	*6.2%*	*2.9%*
Other Overheads	4,383	4,849	4,383	0.0%	-9.6%	4,856	16,220	18,076	11.4%
As % of Net Sales	*14.7%*	*14.5%*	*12.7%*	(207) bps	(180) bps	*15.0%*	*13.1%*	*13.3%*	*2.0%*
EBITDA	**3,422**	**3,745**	**3,771**	**10.2%**	**0.7%**	**3,679**	**16,291**	**15,442**	**-5.2%**
EBITDA margin	***11.5%***	***11.2%***	***10.9%***	**(61) bps**	**(28) bps**	***11.3%***	***13.1%***	***11.4%***	***-13.2%***
Other Income	200.2	263.4	275.6	*37.7%*	*4.6%*	200.0	932.9	919.2	*-1.5%*
PBDIT	**3,623**	**4,008**	**4,047**	**11.7%**	**1.0%**	**3,879**	**17,223**	**16,362**	**-5.0%**
Depreciation	1,284	1,409	1,396	8.7%	-0.9%	1,411	4,921	5,477	11.3%
Interest	95	87	134	40.9%	53.9%	107	422	407	-3.7%
EO Gain / (Loss)	-	(438)	1,812			-	1,111	2,591	
PBT	**2,244**	**2,075**	**4,329**	**92.9%**	**108.6%**	**2,361**	**12,991**	**13,069**	**0.6%**
Tax	576	558	1,106	92.1%	98.2%	602	3,353	3,365	0.4%
Tax rate	*25.7%*	*26.9%*	*25.5%*			*25.5%*	*25.8%*	*25.7%*	
Adj. PAT	**1,668**	**1,841**	**1,883**	**12.9%**	**2.3%**	**1,759**	**8,528**	**7,113**	**-16.6%**
PAT	**1,668**	**1,517**	**3,223**	**93.2%**	**112.5%**	**1,759**	**9,639**	**9,704**	**0.7%**
Adj. EPS	**9.8**	**10.8**	**11.0**	**12.9%**	**2.3%**	**10.3**	**46.6**	**38.9**	**-16.6%**

Key ratios	Mar-25	Dec-25	Mar-26	YoY	QoQ	Mar/26F	FY25	FY26	YoY
RM/sales	67.7%	68.2%	70.2%	254 bps	199 bps	67.5%	67.8%	69.1%	129 bps
Employee cost/sales	6.1%	6.1%	6.2%	14 bps	9 bps	6.2%	6.0%	6.2%	18 bps
Other exp/sales	14.7%	14.5%	12.7%	(207) bps	(180) bps	15.0%	13.1%	13.3%	27 bps
Gross margin	32.3%	31.8%	29.8%	(254) bps	(199) bps	32.5%	32.2%	30.9%	(129) bps

Source: Company data, Nomura estimates

Key conference call takeaways

The following commentary is from management, unless otherwise stated.

Outlook:

- Mid-to-high single digit growth expected in FY27E for the industry.
- The company continues to maintain its guidance of 13-14% EBITDA margin over the longer term despite cost pressures.
- BESS operating margins to start at 6-7%, with margins improving as scale improves.

Demand:

- During 4QFY26, the company achieved a consolidated revenue of INR35bn.
- 92% revenue was from lead acid and rest from the new energy business.
- New energy business saw revenue of INR2.8bn in 4QFY26.
- Growth was driven by auto volumes, with PV OEMs reporting 30% growth, while aftermarket in 4W and 2W grew 4-6%.
- The tubular batteries segment grew more than 35% in the quarter.
- In 4QFY26, more than 70-75% tubular batteries were from in-house manufacturing and rest 25% from trading.
- Due to the geopolitical situation, export volumes saw muted growth and the company

expects pickup in the coming quarter.
- Industrial business other than the telecom segment saw 3% growth in the quarter.
- Telecom business volumes continue to be impacted as it is seeing transition to lithium and reduction of lead acid volumes.
- As per the company, its overall telecom market share is 50% as on 4QFY26.
- In the current quarter, the company supplied 300MW packs to telecom players.
- Export revenue mix for the company in this quarter stood at 11%.
- On a full-year basis, OEM growth stood at 20% in FY26.
- The home energy business also saw similar growth during the year,
- Total exports stood at 12% mix in revenue in FY26.

Plants:

- The customer qualification plant is expected to commence full-scale operations in the coming months, and the first gigafactory is slated for production in June 2027E.
- BESS facility is expected to start production in 4QFY27E, with an initial capacity of 5GWh increasing upto a capacity of 10GWh.
- The Industrial segment will leverage commercial space customers and push BESS solutions.

Cost and margins:

- The company aims for a 13-14% EBITDA margin for the lead-acid business in the long term, despite current cost pressures.
- Expects 6-7% operating margins for the BESS plant initially with margins to increase scale up happens.
- Price increase of 5-6% in tranches during 4Q in domestic automotive business.
- Price hikes of 2-3% in the coming quarter are also possible as cost pressures increase.
- Rising fuel prices and freight rates have also created pressure.
- Lead accounts for 70% of raw material cost along with alloys.
- Plastics account for 10% of raw material cost.
- Currency depreciation have also created pressures on the margin.
- The company saw a benefit of 0.5% in 4Q due to the recycling plant.
- Battery breaking operations to stabilize in coming quarter.

Capex:

- Management reported a total capex spend of INR6bn in FY26, for the lead-acid business.
- In FY27E, capex expected at INR15-17bn with INR4bn for the lead-acid and rest for the new energy business.

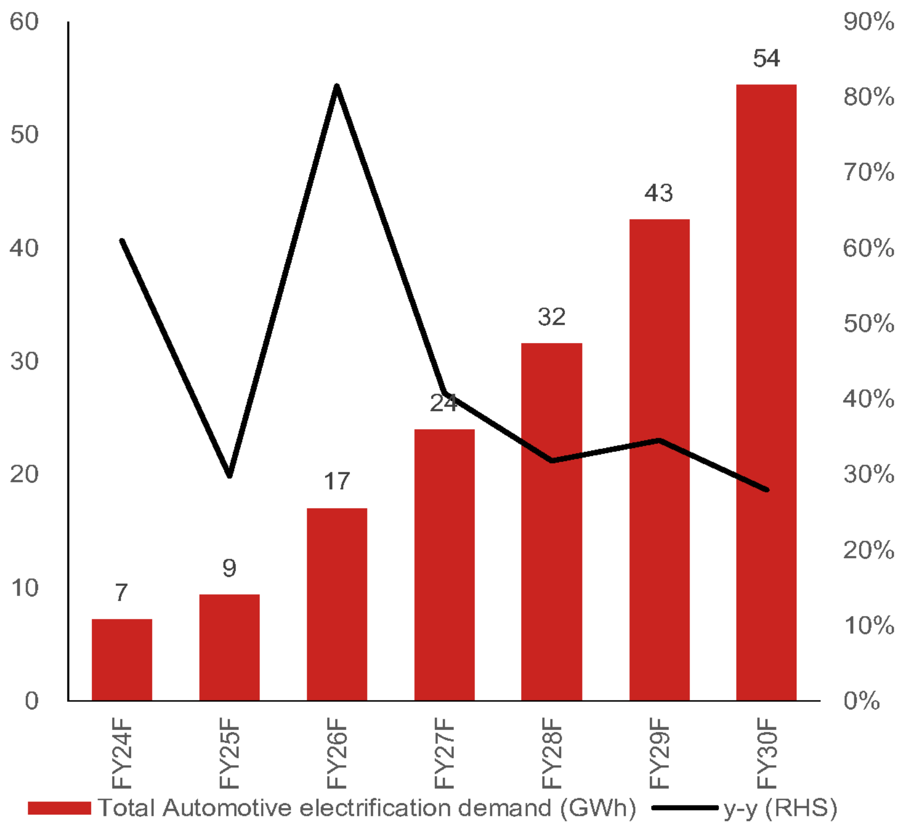
Electric vehicles:

- The new energy segment on EV mobility (2Ws and 3Ws) and expanding its reach with packs and chargers, engaging with passenger vehicle OEMs for future launches.
- The company believes that there won't be a complete transition of ICE to EVs and hence hybrid solutions should be accelerated.
- The Gotion partnership, announced two years prior for technology licensing, is facing difficulties with technology transfers due to the China government discouraging such sharing.
- Due to these challenges, product development efforts for NMC, LFP, and future chemistries are now largely self-driven by their teams in India.

OEMs' EV adoption could gather pace

We estimate the total li-ion GWh requirement across the automotive segment to potentially reach ~54Gwh by FY30F.

Fig. 3: Total estimates for automotive electrification demand



Source: Nomura estimates

Fig. 4: ARENM vs EXID investments

Company	Target capacity	Total investment (INR bn)	Investment till FY26	Remarks	SOP	Partnership	Customers
EXID	12 GWH	55	48	Ph1 - 6 GWH (NCM 3 GWH, LFP 3 GWH); Ph2 - 6 Gwh; Battery pack 1.5 GWh	1QFY27	SVOLT	Hyundai India
ARENM	16 GWH (over 10 yrs)	95	14	2 GWH NMC, Rest LFP; Battery pack 2 GWH	1HFY27	Gotion	Piaggio, Indian E2W player etc

Source: Company data, Nomura research

Commodity prices on the uptrend

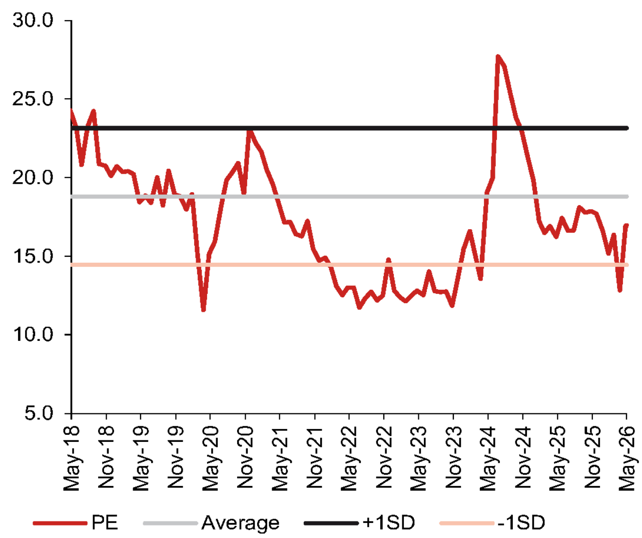
Lead prices, assuming a 1.5-month lag, have increased by ~2% currently.

Fig. 5: Lead price trend

	LME Lead (INR/ton)		QoQ increase (%)	
	Avg	1.5 mnth lag	Avg	1.5 mnth lag
1QFY23	168,287	172,616	-3.7%	1.0%
2QFY23	157,524	160,393	-6.4%	-7.1%
3QFY23	172,104	159,108	9.3%	-0.8%
4QFY23	175,307	177,838	1.9%	11.8%
1QFY24	172,546	172,963	-1.6%	-2.7%
2QFY24	178,400	172,764	3.4%	-0.1%
3QFY24	176,754	178,238	-0.9%	3.2%
4QFY24	173,278	173,666	-2.0%	-2.6%
1QFY25	184,503	180,464	6.5%	3.9%
2QFY25	174,002	181,908	-5.7%	0.8%
3QFY25	172,341	171,663	-1.0%	-5.6%
4QFY25	172,964	166,279	0.4%	-3.1%
1QFY26	168,381	171,636	-2.6%	3.2%
2QFY26	174,887	173,972	3.9%	1.4%
3QFY26	178,737	176,560	2.2%	1.5%
4QFY26	180,540	179,092	1.0%	1.4%
1QFY27	185,904	186,285	3.0%	4.0%
Current	190,149	190,149	2.3%	2.1%

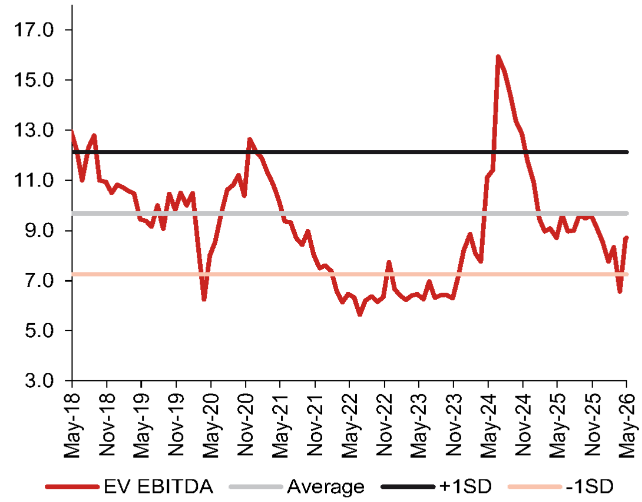
Source: Bloomberg Finance L.P., Nomura research

Fig. 6: ARENM – P/E band



Source: Bloomberg Finance L.P., Nomura research

Fig. 7: EV/EBITDA band – ARENM



Source: Bloomberg Finance L.P., Nomura research

Fig. 8: Peer comparison – auto ancillaries

	Mkt Cap	Mkt Cap	Rating	CMP	FY26-28F CAGR			EPS		P/E		EV-EBITDA		EV/ Sales		ROE		FCF Yield	
Ticker	(INR mn)	($mn)		INR	Revenue	EBITDA	EPS	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F
BIL IN	425,820	4,449	Neutral	2,203	19%	20%	28%	82.0	103.0	26.9	21.4	15.2	12.4	3.4	2.9	13.7	15.4	0.0%	1.9%
UNOMINDA IN	643,767	6,726	Buy	1,115	22%	21%	24%	25.1	32.4	44.5	34.4	25.2	20.1	2.8	2.3	19.8	22.3	0.4%	1.0%
EXID IN	311,313	3,253	Buy	366	10%	15%	17%	15.4	17.8	23.7	20.6	8.6	7.7	1.6	1.5	8.2	8.8	4.1%	4.8%
MOTHERSO IN	1,433,455	14,976	Buy	136	16%	19%	37%	5.8	7.4	23.3	18.5	10.1	8.6	1.0	0.9	15.4	17.2	3.0%	5.6%
MSUMI IN	260,160	2,718	Buy	39	15%	23%	27%	1.5	1.8	26.0	21.9	16.3	14.0	2.0	1.7	45.7	45.1	3.3%	4.0%
APTY IN	249,753	2,609	Neutral	393	11%	7%	-9%	27.9	31.5	14.1	12.5	6.6	5.9	0.8	0.8	13.3	13.6	-2.1%	2.8%
BHFC IN	922,902	9,642	Neutral	1,930	17%	28%	50%	40.2	57.9	48.0	33.4	26.2	19.8	4.9	4.2	18.7	22.1	0.9%	1.4%
ARENM IN	162,764	1,701	Neutral	889	10%	16%	21%	50.9	60.5	17.5	14.7	8.5	7.1	1.1	1.0	11.2	12.1	6.2%	7.5%
CEAT IN	133,408	1,394	Buy	3,298	19%	14%	13%	154.7	243.1	21.3	13.6	8.1	6.3	0.8	0.8	11.8	16.5	-1.8%	1.7%
SONACOMS IN	378,089	3,950	Buy	608	21%	21%	19%	12.3	14.8	50.5	39.1	28.4	22.6	6.7	5.6	12.4	14.3	1.4%	1.4%
SANSERA IN	179,504	1,875	Buy	2,880	11%	26%	26%	67.1	86.5	42.9	33.3	22.1	18.0	4.2	4.2	12.8	14.5	0.0%	0.9%

Note: Pricing date as on 26 May 2026
Source: Bloomberg Finance L.P., Nomura estimates

Appendix A-1

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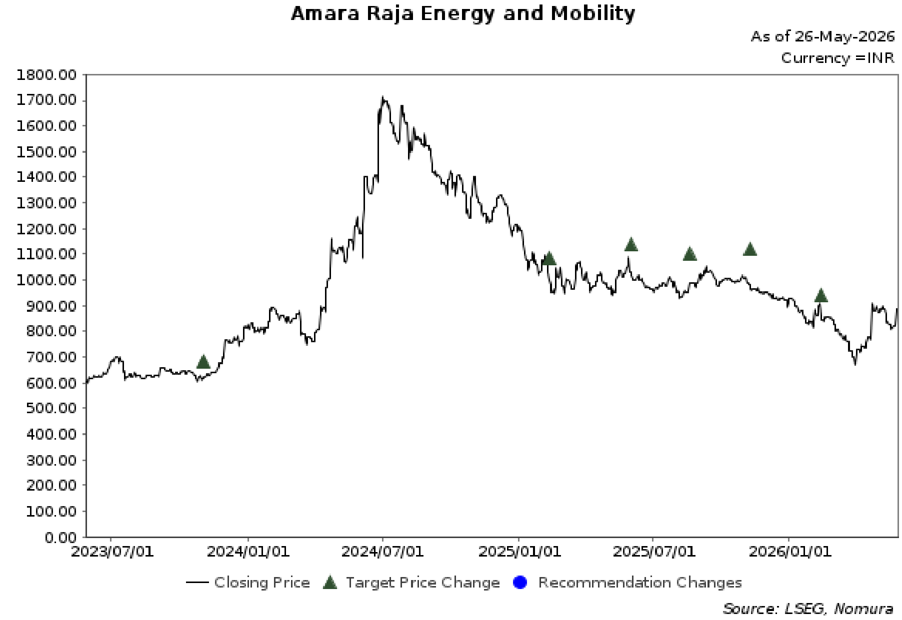
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Amara Raja Energy and Mobility	ARENM IN	INR 889	26-May-2026	Neutral	N/A	

Amara Raja Energy and Mobility (ARENM IN) **INR 889 (26-May-2026)** Neutral (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
12-Feb-26		942.00	861.00
09-Nov-25		1,119.00	980.00
19-Aug-25		1,100.00	991.00
01-Jun-25		1,136.00	1,031.00
11-Feb-25		1,084.00	1,002.00
02-Nov-23		685.00	618.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We maintain our target P/E at 15x, and roll forward valuation to FY28F, and add INR34 for Li-ion cell capex (0.5x FY28F BV). We arrive at a TP of INR942. The benchmark index for the stock is the Nifty 50.
Risks that may impede the achievement of the target price Upside risk: More order wins by ARENM with OEMs will have a positive impact on the business. Downside risk: Consistent increase in the lead prices will impact the margins negatively. Rapid change in technology with change in the cell chemistry will also impact the business negatively. Increase in competitve intensity from the neighbouring countries can also hurt the business.

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STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan:** please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: http://go.nomuranow.com/research/m/Disclosures; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan:** Russell/Nomura Large Cap.

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