4QFY26 Result Update
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Growth outlook remains strong despite cost headwinds

Amara Raja Energy & Mobility

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Maintain Hold

Current Price (Rs)	: 889
Target Price (Rs)	: 1,111
Potential Upside (%)	: 25.0

Source: Bloomberg, 360 ONE CM Research

Market Data

No. of Shares (mn)	: 183
Free Float (%)	: 67.1
Market Cap (Rs bn)	: 163
52-week High / Low (Rs)	: 1,096 / 670
Avg. Daily Volume (6M)	: 1 mn
Avg. Daily Value (6M; US$)	: 9.2 mn
Bloomberg Code	: ARENM IN
Promoters Holding (%)	: 32.9
FII / DII (%)	: 17.3 / 17.0

Source: Bloomberg, 360 ONE CM Research

Price Performance

(%)	1M	3M	12M
Absolute	1.0	(6.4)	(15.3)
Relative	1.9	4.8	(7.8)

Source: Bloomberg, 360 ONE CM Research

Key sense of result and Outlook & Valuation

Amara Raja Energy & Mobility (ARENM) reported strong 4QFY26 standalone revenue of Rs 34.5 bn, above consensus estimates of Rs 32.4 bn, driven by healthy automotive OEM demand, steady aftermarket traction, strong home energy business growth and continued expansion in telecom lithium solutions. However, EBITDA margin at 10.9% came below consensus estimates due to higher raw material costs, adverse product mix and increased losses in the New Energy business. The New Energy segment continued to scale strongly with revenue rising by ~78.9% YoY to Rs 2.8 bn, while adjusted PAT grew by 15.4% YoY to ~Rs 1.4 bn. 4Q also included an exceptional gain of Rs 1,811.5 mn related to the final insurance settlement for the Chittoor plant fire incident.

Going forward, we expect healthy growth momentum supported by strong automotive demand, industrial battery growth and increasing adoption of lithium-ion solutions across telecom, mobility and energy storage applications. Further, ongoing investments in giga-cell manufacturing and BESS infrastructure, along with strategic partnerships with GIB, Ather and Piaggio, are expected to strengthen ARENM's long-term positioning in the new energy ecosystem. At the current market price of Rs 889, the stock trades at 15.9x FY27E EPS of Rs 56.1 and 14.4x FY28E EPS of Rs 61.7. We maintain our Hold rating on the stock with an unchanged target price of Rs 1,111, based on 18x FY28E EPS.

What has changed in estimates

No major change in our estimates.

Key result highlights

ARENM reported standalone revenue of Rs 34.5 bn (+3.3% QoQ/+16.3% YoY), above consensus estimates, driven by strong automotive OEM demand, healthy aftermarket traction, robust home energy business growth and continued expansion in telecom lithium solutions. EBITDA margin came in at 10.9% (-30 bps QoQ/-60 bps YoY) impacted by higher raw material costs, adverse product mix and increased losses in the New Energy business. Adjusted PAT stood at ~Rs 1.4 bn (-27.8% QoQ/+15.4% YoY) impacted by higher depreciation and weak operating performance. The New Energy business continued to scale strongly with revenue rising by ~78.9% YoY to Rs 2.8 bn, while segment losses widened to Rs 245.1 mn. Further, 4Q included an exceptional gain of Rs 1,811.5 mn related to final insurance settlement.

Key concall highlights

1) New energy business revenue rose to Rs 2.8 bn in 4Q (~1.5x YoY), with cumulative stationary storage installations crossing 1 GWh. 2) Cell manufacturing ramp-up remains on track with ESS capacity commissioning by CY26-end and first 2 GWh gigafactory production targeted for June 2027. 3) FY26 revenue stood at Rs 138.1 bn (+7.5% YoY) with lead-acid battery EBIT margins sustained at 12.2%; FY27 capex guidance is Rs 15-17 bn. 4) Gotion LFP technology transfer delays have pushed the company to focus on internal R&D for NMC and LFP chemistries.

Financial highlights

(Rs mn)	4QFY25	4QFY26	YoY (%)	3QFY26	QoQ (%)	FY25	FY26	YoY (%)
Net sales	29,739	34,599	16.3	33,508	3.3	1,24,049	1,35,489	9.2
EBITDA	3,422	3,771	10.2	3,745	0.7	16,291	15,442	(5.2)
EBITDA margin (%)	11.5	10.9	–	11.2	–	13.1	11.4	–
Other income	200	276	37.7	263	4.6	933	919	(1.5)
Interest	95	134	40.9	87	53.9	422	407	(3.7)
Depreciation	1,284	1,396	8.7	1,409	(0.9)	4,921	5,477	11.3
PBT	2,244	4,329	92.9	2,074	108.7	12,991	13,069	0.6
Tax	576	1,106	92.1	558	98.2	3,353	3,365	0.4
Adjusted PAT	1,668	1,412	(15.4)	1,955	(27.8)	8,528	7,113	(16.6)
Adjusted EPS (Rs)	9.1	7.7	(15.4)	10.7	(27.8)	46.6	38.9	(16.6)

Source: Company, 360 ONE CM Research

Change in estimates

(Rs mn)	Old		New		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	151,519	169,274	151,519	169,274	0.0	0.0
EBITDA	19,188	21,776	19,188	21,776	0.0	0.0
EBITDA margin (%)	12.7	12.9	12.7	12.9	–	–
PAT	10,261	11,291	10,264	11,290	0.0	0.0
Net profit margin (%)	6.8	6.7	6.8	6.7	–	–
Adjusted EPS (Rs)	56.1	61.7	56.1	61.7	0.0	0.0

Source: Company, 360 ONE CM Research

Financial Summary (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Net sales	**124,049**	**135,489**	**151,519**	**169,274**
Growth (%)	*10.2*	*9.2*	*11.8*	*11.7*
Raw material	(84,071)	(93,574)	(105,305)	(117,307)
Gross profit	**39,978**	**41,914**	**46,213**	**51,967**
Employee cost	(7,468)	(8,396)	(9,091)	(10,156)
Other expenditure	(16,220)	(18,076)	(17,934)	(20,035)
Other operating income	–	–	–	–
EBITDA	**16,291**	**15,442**	**19,188**	**21,776**
Growth (%)	*2.9*	*(5.2)*	*24.3*	*13.5*
Depreciation	(4,921)	(5,477)	(5,875)	(6,899)
Other income	933	919	981	961
EBIT	**12,303**	**10,885**	**14,294**	**15,838**
Finance cost	(422)	(407)	(456)	(477)
Exceptional income/(expense)	1,111	2,591	–	–
Profit before tax	**12,991**	**13,069**	**13,838**	**15,361**
Tax (current + deferred)	(3,353)	(3,365)	(3,574)	(4,071)
Profit/(loss) for the year	**9,639**	**9,704**	**10,264**	**11,290**
P/L of JV/A, minority interest	–	–	–	–
Reported profit/(loss)	**9,639**	**9,704**	**10,264**	**11,290**
Adjusted net profit/(loss)	**8,528**	**7,113**	**10,264**	**11,290**

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Share Capital	183	183	183	183
Reserves & surplus	73,600	81,425	90,082	99,767
Shareholders' funds	**73,783**	**81,608**	**90,265**	**99,950**
Minority interest	–	–	–	–
Long-term borrowings	811	796	756	681
Other non-current liabilities	3,500	4,418	4,869	5,335
Total non-current liab.	**4,311**	**5,214**	**5,626**	**6,015**
Short-term borrowings	–	–	–	–
Trade payables	10,465	12,028	12,983	14,463
Other current liabilities	9,765	9,422	10,632	11,878
Total current liabilities	**22,003**	**24,432**	**26,686**	**29,473**
Total (Equity & Liab.)	**100,097**	**111,253**	**122,577**	**135,439**
Fixed assets (net block)	43,188	45,166	50,213	51,588
Non-current investments	19,475	25,998	28,498	29,998
Other non-current assets	1,554	1,776	2,004	2,239
Non-current assets	**64,217**	**72,940**	**80,715**	**83,825**
Cash and cash equivalents	1,820	1,854	1,444	5,638
Inventories	20,364	22,828	22,140	24,735
Trade receivables	11,428	11,673	14,529	16,232
Other current assets	2,268	1,959	3,749	5,009
Current assets	**35,881**	**38,314**	**41,863**	**51,614**
Total (Assets)	**100,097**	**111,253**	**122,577**	**135,439**

Cash Flow

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Profit before tax	12,991	13,069	13,838	15,361
Depreciation	4,921	5,477	5,875	6,899
Change in working capital	3,171	(1,101)	(1,673)	(2,706)
Total tax paid	(3,338)	(3,365)	(3,574)	(4,071)
Others	422	407	456	477
CF from operations (a)	**18,167**	**14,487**	**14,922**	**15,961**
Capital expenditure	(9,389)	(7,455)	(10,922)	(8,274)
Change in investments	2,025	625	–	–
Others	(7,333)	(6,523)	(2,500)	(1,500)
CF from investing (b)	**(14,697)**	**(13,354)**	**(13,422)**	**(9,774)**
Free cash flow	**8,778**	**7,031**	**4,000**	**7,686**
Equity raised/(repaid)	–	–	–	–
Debt raised/(repaid)	1,057	1,195	50	(14)
Dividend (excl. tax)	(952)	(1,190)	(1,373)	(1,373)
Others	(2,638)	(902)	(353)	(371)
CF from financing (c)	**(2,695)**	**(1,099)**	**(1,909)**	**(1,992)**
Net change in cash (a+b+c)	**775**	**34**	**(410)**	**4,195**

Key Ratios

Y/E Mar (%)	FY25	FY26	FY27E	FY28E
Adjusted EPS (Rs)	46.6	38.9	56.1	61.7
Growth	*(6.0)*	*(16.6)*	*44.3*	*10.0*
Book NAV/share (Rs)	403.2	445.9	493.3	546.2
Dividend payout ratio	11.6	14.3	15.6	14.2
Gross margin	32.2	30.9	30.5	30.7
EBITDA margin	13.1	11.4	12.7	12.9
EBIT margin	9.9	8.0	9.4	9.4
Tax rate	28.2	32.1	25.8	26.5
RoCE	16.2	12.8	15.1	15.2
RoE	12.1	9.2	11.9	11.9
RoIC (post-tax)	15.4	12.3	16.2	16.3
Net debt/equity (x)	0.0	0.0	0.0	0.0
Net debt/EBITDA (x)	0.0	0.1	0.1	(0.1)
Fixed asset turnover (x)	1.3	1.3	1.3	1.3
Net working capital days	40.8	37.4	36.6	47.7

Valuations

Y/E (x)	FY25	FY26	FY27E	FY28E
P/E	19.1	22.9	15.9	14.4
P/B	2.2	2.0	1.8	1.6
Dividend yield (%)	58.5	73.1	84.3	84.3
OCF yield (%)	(11.2)	(8.9)	(9.2)	(9.8)
EV/EBITDA	10.0	10.7	8.6	7.4
EV/Sales	1.3	1.2	1.1	1.0

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