AMARA RAJA ENERGY & MOBILITY LTD

Rating: ◄► | Target price: ▲ | EPS: ▼

CMP	Target Price	Rating
Rs. 889	Rs. 975	ADD

Avendus SPARK

ONE YEAR OUTLOOK

Business & Earnings ◄►

- Maintain our ADD rating on ARENM with a TP of Rs. 975. ARE&M is likely to benefit from steady aftermarket growth and thrust on export segment (albeit weak in FY26). We believe the advent of alternate fuel vehicles (CNG, LNG, etc.) would aid lead acid growth. We factor in steady pickup in demand for lithium battery packs and EV chargers (FY26 revenues of Rs. 8bn) as AREN&M leverages its existing relationships across automotive and industrial clientele. ARENM's 16 GWH Li-ion cell manufacturing facility in Telangana would be commissioned in a staggered manner with 2 GWH (phase-1) NMC capacity expected by FY28 (Jun-27). The company also announced Rs. 2.8bn investment towards 5 GWH BESS capacity (expected by 1QFY28) with potential asset turns of 9-10x. However, we believe partial benefits of li-ion manufacturing are factored in.
- In 4QFY26, lead acid revenues were up 12% YoY aided by healthy growth in automotive OEMs (35% YoY) and tubular batteries (35% YoY), though offset by telecom segment decline due to ongoing transition to Li-ion, and weak exports. Revenue from EV chargers & lithium battery packs, at Rs. 2.8bn, rose 79% YoY due to incremental supplies to telecom sector (overall LAB + Li-ion, ARENM has ~50% market share). We pencil in overall revenue growth of ~8% (FY26-28E). EBITDA margins were down 30bps QoQ due to adverse mix and higher RM cost. Margin improvement from commissioning of lead smelting unit to be offset by RM cost escalations. Factoring in ~5% price hike in FY27.
- Expect FY27-28E capex at ~Rs. 26bn towards 1) Li-ion cell capacities, 2) BESS capacities (Rs. 2.8bn), 3) existing line expansion and 4) maintenance capex.

Valuation Multiples ◄►

- Our TP of Rs. 975 is based on 17x FY28E EPS with Rs. 855 from lead acid and Rs. 120 from Li-ion operations (DCF-based due to back-ended benefits). The multiple factors in robust growth in lead acid aftermarket & export segment, coupled with margin expansion led by operating efficiencies.

FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	Adj.PAT (Rs mn)	Adj.EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY25	1,24,049	13.1	8,780	48.0	19	10	12
FY26E	1,35,489	11.4	7,743	42.3	21	11	10
FY27E	1,46,998	12.3	9,250	50.5	18	9	11
FY28E	1,56,039	12.3	10,156	55.5	16	8	11
FY29E	1,65,898	12.3	11,473	62.7	14	8	11

THREE YEAR OUTLOOK

Business & Earnings ◄►

- In June 2024, ARACT (100% subsidiary of ARENM) announced a technical licensing agreement with GIB EnergyX Slovakia s.r.o.(GIB), a JV between Gotion High-Tech Co Ltd, China and InoBat, Slovakia. The agreement allows ARACT to 1) access cell technology IP, 2) seek support to establish Gigafactory facilities confirming the latest generation process technologies, 3) integrate with Gotion's global supply chain network for critical battery materials, and 4) provide customer technical support for solution deployment. The company had developed the 2170 NMC cell in its Advanced Lithium Technology Research Hub in collaboration with Jiangsu Highstar. The company intends to set up 16 GWH cell manufacturing capacities (Phase 1: 2GWH by FY27 focused on NMC chemistry, Phase 2: 8 GWH by FY30). ARENM aims to send test samples to secure approvals from various OEMs & fleet operators for commercial supplies, and we expect benefits to accumulate in the long run.
- ARENM's growth in lead acid would be led by an increasing market share in export, AM/OEM markets. The company plans to enhance its footprint in the export market wherein it has incorporated many subsidiaries. ARENM also plans to establish a strong presence in the motive power space due to the thrust on warehousing. However, the growing competitive intensity would be a key monitorable for margin expansion.

Valuation Multiples ◄►

- Expect ARENM to report a consolidated revenue and EBITDA CAGR of 10% & 11%, respectively, over FY26-30E. While return ratios are likely to be under duress due to significant capex, anticipate ramp-up in li-ion capacities to improve operating efficiencies/return profile.

KEY ESTIMATES REVISION

	FY27E			FY28E		
	Old	New	Change	Old	New	Change
Sales	1,42,004	1,46,998	4%	1,50,452	1,56,039	4%
EBITDA (%)	13.5	12.3	-120 bps	13.5	12.3	-120 bps
Adj. PAT	10,271	9,250	-10%	11,106	10,156	-9%
Adj. EPS	56.1	50.5	-10%	60.7	55.5	-9%
PE	Before Results:		16.0	After Results:		15.0

All figures in Rs.Mn

OUTLOOK REVIEW 4QFY26

27 May 2026

Industry	AUTOMOBILE
Key Stock Data	
Bloomberg	ARENM IN
Shares o/s	183mn
Market Cap	Rs. 161bn ($17mn)
52-wk High-Low	Rs. 1,096-670
3m ADV	Rs. 1.65bn ($17.2mn)
F&O	No

Latest Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoters	32.9	32.9	32.9
Institutions	34.2	34.5	34.2
Public	32.9	32.6	32.9
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
ARENM	1.5	4.4	-15.1
Sensex	-1.7	-7.6	-7.5

RESEARCH ANALYSTS

Mukesh Saraf
mukesh.s@avendusspark.com
+91 44 4344 0041

Ramakrishnan Seshan
Ramakrishnan.s@avendusspark.com
+91 44 4344 0020

N.J. Krupashankar
krupashankar.n@avendusspark.com
+91 44 4344 0098

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Quarterly Financial Statement

- Standalone revenues at ~Rs. 22.6bn was down ~2% QoQ and down 1% YoY.
- EXIM segment revenues came in at Rs. 15.0bn, flat YoY and down 2% QoQ. EXIM handled volumes at 1.07mn TEUs, was up 2% YoY. EXIM handling realisation was down 2% YoY. EXIM EBIT margins at 23.4% was down 50bps QoQ.
- Domestic segment reported revenue of Rs. 7.6bn, down 1% QoQ and 4% YoY. Domestic handling volumes at 360k TEUs grew 19% YoY while realisation was down 4% QoQ. Domestic EBIT margins at 0.2% was down 570bps QoQ. We await clarification on steep decline in profitability.
- Rail freight expenses as % of revenues was at 57.0%, up 210bps QoQ. Subsequently, gross margin decreased 110bps QoQ to 29.8%.
- Employee cost at Rs. 1.3bn was flat YoY. Other expenses at Rs. 1.2bn was up 19% YoY.
- Depreciation and amortisation expense for the quarter was at Rs. 1.5bn, down 4% YoY and flat QoQ.
- EBITDA came in at Rs. 4.2bn, down 3% YoY and 17% QoQ. EBITDA margins decreased 340bps sequentially and came in at 18.6%.
- Other income in the quarter came in at Rs. 891mn, down 38% YoY and 6% QoQ.
- PAT for the quarter came in at Rs. 2.6bn, down 22% QoQ and down 15% YoY.

Standalone Financial Results

Rs. mn\Period	4QFY26	4QFY25	yoy Growth	3QFY26	qoq Growth	FY26	FY25	Yoy Growth
Revenue	**34,599**	**29,739**	**16.3%**	**33,508**	**3.3%**	**1,35,489**	**1,24,049**	**9.2%**
Raw Material	24,302	20,132	20.7%	22,868	6.3%	93,574	84,071	11.3%
Employee Cost	2,143	1,801	19.0%	2,046	4.7%	8,396	7,468	12.4%
Other Expenses	4,383	4,383	0.0%	4,849	-9.6%	18,076	16,220	11.4%
Total Expenditure	**30,828**	**26,316**	**17.1%**	**29,763**	**3.6%**	**1,20,046**	**1,07,758**	**11.4%**
EBITDA	**3,771**	**3,422**	**10.2%**	**3,745**	**0.7%**	**15,442**	**16,291**	**-5.2%**
Margin %	10.9%	11.5%	*-61 bps*	11.2%	*-28 bps*	11.4%	13.1%	*-174 bps*
D&A	1,396	1,284	8.7%	1,409	-0.9%	5,477	4,921	11.3%
EBIT	**2,376**	**2,138**	**11.1%**	**2,336**	**1.7%**	**9,965**	**11,370**	**-12.4%**
Other income	276	200	37.7%	263	4.6%	919	933	-1.5%
Net Interest exp (inc)	133.7	94.9	40.9%	86.9	53.9%	406.7	422.4	-3.7%
PBT	4,329	2,244	92.9%	2,075	108.6%	13,069	12,992	0.6%
Tax provision	**1,106**	**576**	**92.1%**	**558**	**98.2%**	**3,365**	**3,353**	**0.4%**
Tax rate %	25.5%	25.7%	*-11 bps*	26.9%	*-135 bps*	26%	26%	*-6 bps*
PAT (Reported)	**3,223**	**1,668**	***93.2%***	**1,517**	***112.5%***	**9,704**	**9,639**	**0.7%**
PAT (Adjusted)	**1,860**	**1,658**	**12.2%**	**1,857**	**0.2%**	**7,743**	**8,780**	**-11.8%**
Adjusted PAT Margin %	5.4%	5.6%	*-20 bps*	5.5%	*-16 bps*	5.7%	7.1%	*-136 bps*
Shares Outstanding	183	183		183		183	183	
EPS (Reported)	**17.6**	**9.1**	**93.2%**	**8.3**	**112.5%**	**53.0**	**52.7**	**0.7%**
EPS (Adjusted)	**10.2**	**9.1**	**12.2%**	**10.1**	**0.2%**	**42.3**	**48.0**	**-11.8%**

Source: Company data, Avendus Spark Research

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Abridged Financials

in Rs. Bn	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Standalone operations (Lead Acid)								
Revenues	101.4	111.9	123.5	130.1	141.3	150.0	159.6	170.4
YoY (%)		10%	10%	5%	9%	6%	6%	7%
EBITDA	14.3	16.1	16.2	14.8	17.4	18.5	19.6	21.0
EBITDA (%)	*14.1%*	*14.4%*	13.1%	11.4%	12.3%	12.3%	12.3%	12.3%
PAT	7.8	9.0	8.8	7.4	8.7	9.2	9.8	10.6
PAT (%)	*7.7%*	*8.0%*	7.2%	5.7%	6.2%	6.1%	6.2%	6.2%
Net Block	36.9	35.5	34.7	36.8	35.8	34.3	33.1	31.5
Advance Cell Tech subsidiary (Non-current investment)	4.6	12.1	19.4	25.9	37.9	38.7	49.2	59.2
Cash & cash equivalents	1.2	3.7	2.3	1.2	2.2	9.1	9.4	9.9
Net Working Capital	17.1	14.5	11.1	13.0	12.9	13.6	14.3	15.2
NWC days	*62*	*47*	33	37	33	33	33	33
Capital Employed - Lead Acid	**59.9**	**65.9**	**67.5**	**76.9**	**88.7**	**95.7**	**106.0**	**115.9**
Li-Ion cell manufacturing operations								
Revenues		Immaterial		0.0	0.0	1.8	9.3	17.2
YoY (%)							409%	85%
EBITDA				0.0	0.0	-0.3	-0.9	-0.9
EBITDA (%)						-15.0%	-10.0%	-5.0%
PBT				0.0	0.0	-1.6	-2.8	-3.6
PBT (%)						-89.2%	-30.1%	-20.8%
Net Block				12.6	24.6	23.8	32.0	39.2
Net Working Capital				0.0	0.0	0.2	0.8	1.4
NWC days				30	30	30	30	30
Capital Employed - Li-ion				12.6	24.6	23.9	32.8	40.7
Consolidated								
Revenues	103.9	117.1	128.5	130.1	141.3	151.9	168.9	187.6
YoY (%)		13%	10%	1%	9%	7%	11%	11%
EBITDA	**14.4**	**16.5**	**16.1**	**14.4**	**17.6**	**19.5**	**20.3**	**22.1**
EBITDA (%)	**13.8%**	**14.1%**	**12.5%**	**11.0%**	**12.5%**	**12.8%**	**12.0%**	**11.8%**
EBIT	9.6	11.6	11.0	8.7	11.4	11.1	11.1	11.9
EBIT (%)	9.2%	9.9%	8.6%	6.7%	8.0%	7.3%	6.6%	6.3%
PAT	7.6	9.2	8.6	6.9	8.7	8.8	8.7	9.2
PAT (%)	7.3%	7.8%	6.7%	5.3%	6.2%	5.8%	5.2%	4.9%
Net Block	36.9	39.4	42.0	49.7	60.5	57.9	64.6	70.0
Cash & cash equivalents	1.2	3.7	2.3	1.2	2.2	9.1	9.4	9.9
Net Working Capital	17.1	14.5	11.1	13.0	12.9	13.7	15.1	16.6
NWC days	60	45	32	37	33	33	33	32
Capital Employed - Consolidated	**55.2**	**57.7**	**55.4**	**63.9**	**75.5**	**80.6**	**89.1**	**96.5**

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Our base case analysis indicates that li-ion business is valued at Rs. 20.8bn assuming a projected utilization level of 14 GWh (75% utilization level) and margins of 9% for FY35. Also, the LAB segment contributes Rs. 855/share to an overall TP of Rs. 975

Amara: Li-ion Batteries (Li-Ion)	FY23-25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Revenue (Rs. Bn)	Immaterial	0.0	0.0	1.8	9.3	17.2	23.7	34.2	47.4	69.2	96.0
YoY (%)					409%	85%	37%	45%	39%	46%	39%
EBITDA (Rs. Bn)		0.0	0.0	-0.3	-0.9	-0.9	0.0	1.7	3.6	5.5	8.6
% Margins				-15.0%	-10.0%	-5.0%	0.0%	5.0%	7.5%	8.0%	9.0%
Capex (Rs. Bn)		5.9	12.0	0.9	10.4	10.1	12.5	12.1	11.5	11.2	6.9
FCFF (Rs. Bn)		-5.9	-12.0	-1.3	-12.0	-11.6	-13.0	-11.3	-9.0	-7.5	-0.4
RoIC (%)		0%	0%	-6%	-8%	-8%	-6%	-4%	-2%	0%	3%

Lithium-Ion Operations	FY28
Terminal Growth (%)	6%
WACC (%)	13%
Discounted FCFF (Rs. Bn)	-31.3
PV of Terminal Value (Rs. Bn)	47.2
EV (Rs. Bn)	15.9
Less: Net Debt/(net Cash) (Rs. Bn)	-4.9
Implied Market Cap (Rs. Bn)	20.8
Outstanding Shares (Mn)	171
Target Price (Rs.)	**122**

Key Assumptions

	FY26	FY30	FY35
Capacities (GWh)	2.0	5.0	14.0
Utilisation (%)	0%	40%	75%
Battery Pack ($/KWh)	102	91	96

- Factoring higher li-ion adoption across automotive, telecom, and energy storage solutions for key end-user industries.
- Margins estimated to be lower than EXIDE due to lack of sourcing tie-up and technical partnership.
- Incremental capex per GWh estimated to reduce with increasing scale

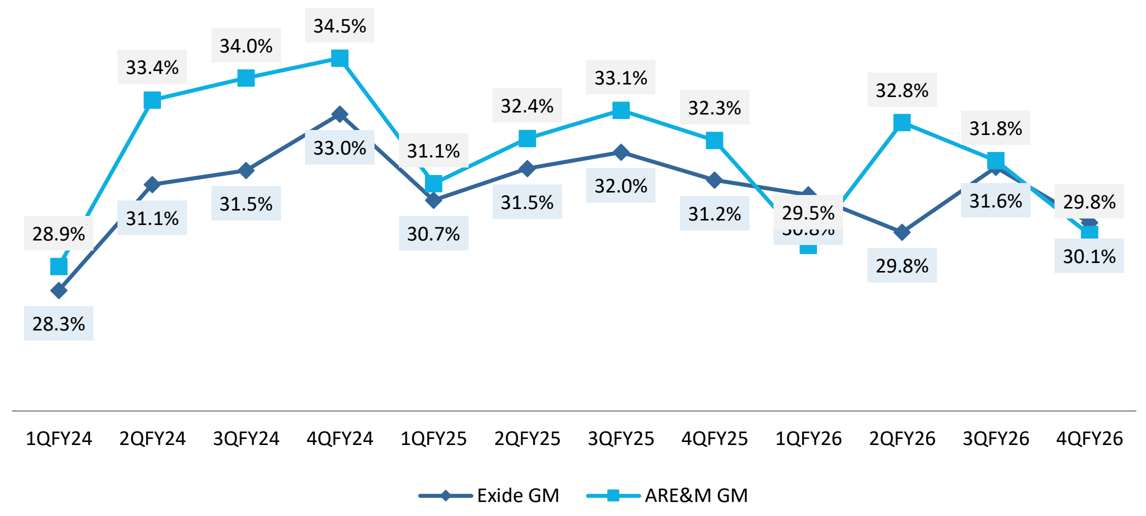
Amara: Consolidated (LaB + Li-ion)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
RoIC (%)	13%	16%	15%	11%	12%	11%	11%	11%	11%	12%	13%	14%	16%

	FY28E	FY30E
P/E Multiple	17	15
Lead Acid EPS (Rs.)	50.3	57.8
Lead Acid TP (Rs.) (A)	855	868
Li-Ion TP (Rs.) (B)	120	132
Total TP (Rs.) (A+B)	975	1,000

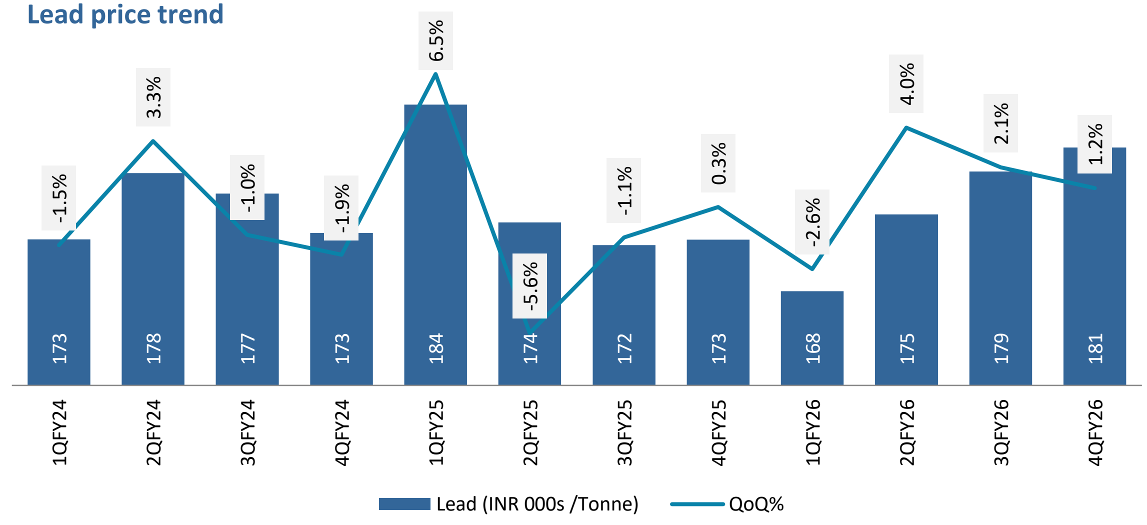
Segmental results & Margin Profile

Segmental Results (Consol)	4QFY26	3QFY26	QoQ growth	4QFY25	YoY growth	FY26	FY25	YoY growth
Revenues								
Lead acid	32,547	31,738	3%	29,030	12%	1,30,053	1,23,451	5%
Others (New Energy)	2,810	2,364	19%	1,571	79%	8,087	5,012	61%
TotalRevenue	**35,358**	**34,102**	**4%**	**30,601**	**16%**	**1,38,140**	**1,28,463**	**8%**
EBIT								
Lead acid	4,286	1,949	120%	2,132	101%	12,705	11,226	13%
Others (New Energy)	-245	-267	-8%	-216	13%	-1,352	-459	195%
Total EBIT	**4,041**	**1,682**	**140%**	**1,916**	**111%**	**11,353**	**10,767**	**5%**
EBIT Margins								
Lead acid	13.2%	6.1%	*703 bps*	7.3%	*582 bps*	9.8%	9.1%	*68 bps*
Others (New Energy)	-8.7%	-11.3%	*258 bps*	-13.8%	*505 bps*	-16.7%	-9.2%	*-756 bps*
Total EBIT	**11.4%**	**4.9%**	***650 bps***	**6.3%**	***517 bps***	**8.2%**	**8.4%**	***-16 bps***

EXID and ARENM – Gross margin trend



Lead price trend



Source: Company, Avendus Spark
^Exide's 2QFY26 gross margins are estimated

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Financial Summary

Standalone Financial Statements

Rs mn	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Profit & Loss										
Revenue	**71,497**	**86,958**	**1,03,897**	**1,12,603**	**1,24,049**	**1,35,489**	**1,46,998**	**1,56,039**	**1,65,898**	**1,77,001**
Gross profit	24,050	25,745	33,917	37,262	39,978	41,914	46,210	49,052	52,151	55,641
EBITDA	**11,157**	**10,226**	**14,350**	**16,214**	**16,291**	**15,442**	**18,077**	**19,189**	**20,401**	**21,767**
Depreciation	3,192	3,957	4,504	4,787	4,921	5,477	6,047	6,426	6,735	7,051
EBIT	7,965	6,269	9,846	11,427	11,370	9,965	12,030	12,763	13,666	14,715
Other Income	874	780	896	1,015	933	919	894	1,408	2,307	2,406
Interest expense	105	151	296	332	422	407	407	427	448	471
Exceptional items	0	0	-477	0	1,111	2,591	0	0	0	0
PBT	8,733	6,898	9,970	12,110	12,992	13,069	12,517	13,743	15,525	16,650
Reported PAT (after minority interest)	6,468	5,113	7,307	9,059	9,639	9,704	9,369	10,287	11,620	12,463
Adj PAT	6,468	5,113	7,316	9,059	8,780	7,743	9,250	10,156	11,473	12,305
EPS (Rs.)	**37.9**	**29.9**	**42.8**	**49.5**	**48.0**	**42.3**	**50.5**	**55.5**	**62.7**	**67.2**
Balance Sheet										
Net Worth	42,130	45,514	60,056	67,687	73,783	81,608	89,104	97,334	1,06,631	1,16,602
Total debt	234	165	1,111	533	1,445	2,715	7,015	5,815	6,815	6,715
Other liabilities and provisions	7,735	9,701	9,656	10,840	13,505	14,004	15,193	16,128	17,147	18,294
Total Networth and liabilities	**50,506**	**55,694**	**71,860**	**79,945**	**89,465**	**99,225**	**1,12,211**	**1,20,175**	**1,31,491**	**1,42,510**
Gross Fixed assets	38,784	43,116	59,580	62,988	67,152	77,173	82,173	87,173	92,673	98,173
Net fixed assets	24,548	24,923	36,882	35,503	34,747	39,291	38,244	36,818	35,583	34,031
Capital work-in-progress	3,993	8,297	2,343	3,217	8,441	5,875	5,875	5,875	5,875	5,875
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	2,805	778	4,860	14,791	19,979	25,855	37,855	38,718	49,150	59,219
Cash and bank balances	1,758	536	998	1,045	1,653	1,154	2,192	9,069	9,387	9,861
Loans & advances and other assets	2,610	3,262	9,741	5,522	3,318	4,578	4,865	5,090	5,336	5,613
Net working capital	14,792	17,899	17,035	19,868	21,327	22,472	23,180	24,606	26,160	27,911
Total assets	**50,506**	**55,694**	**71,860**	**79,945**	**89,465**	**99,225**	**1,12,211**	**1,20,175**	**1,31,491**	**1,42,510**
Capital Employed	42,771	45,993	62,203	69,105	75,960	85,221	97,017	1,04,048	1,14,345	1,24,216
Invested Capital (CE - cash - CWIP)	37,021	37,161	58,862	64,844	65,866	78,193	88,951	89,104	99,083	1,08,480
Net debt	-4,258	-718	-125	-3,161	-832	1,561	4,823	-3,254	-2,572	-3,146
Cash Flow										
Cash flows from Operations (Pre-tax)	10,016	8,323	12,125	16,431	17,035	16,435	18,759	19,453	21,478	22,822
Cash flows from Operations (post-tax)	8,020	6,330	9,562	13,142	13,752	13,400	15,611	15,996	17,574	18,634
Capex	4,967	7,609	4,659	4,423	7,518	7,539	5,000	5,000	5,500	5,500
Free cashflows	3,054	-1,280	4,904	8,719	6,234	5,862	10,611	10,996	12,074	13,134
Free cashflows (post interest costs)	2,948	-1,280	4,904	8,719	6,234	5,862	10,611	10,996	12,074	13,134
Cash flows from Investing	-6,350	-4,819	-7,892	-10,720	-11,543	-12,645	-17,000	-5,863	-15,933	-15,569
Cash flows from Financing	-1,215	-2,135	-1,119	-2,425	-1,566	-1,257	2,427	-3,257	-1,323	-2,592
Total cash & liquid investments	1,758	536	1,236	3,694	2,278	1,154	2,192	9,069	9,387	9,861

Financial Summary

Standalone Financial Statements

Growth ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Revenue	4.5	21.6	19.5	8.4	10.2	9.2	8.5	6.2	6.3	6.7
EBITDA	1.6	-8.3	40.3	13.0	0.5	-5.2	17.1	6.2	6.3	6.7
Adj PAT	-2.1	-21.0	42.9	24.0	6.4	0.7	-3.5	9.8	13.0	7.2
Margin ratios (%)										
Gross	33.6	29.6	32.6	33.1	32.2	30.9	31.4	31.4	31.4	31.4
EBITDA	15.6	11.8	13.8	14.4	13.1	11.4	12.3	12.3	12.3	12.3
Adj PAT	9.0	5.9	7.0	8.0	7.1	5.7	6.3	6.5	6.9	7.0
Performance ratios										
Pre-tax OCF/EBITDA (%)	89.8	81.4	84.5	101.3	104.6	106.4	103.8	101.4	105.3	104.8
OCF/IC (%)	21.7	17.0	16.2	20.3	20.9	17.1	17.6	18.0	17.7	17.2
RoE (%)	16.4	11.7	13.9	14.2	12.4	10.0	10.8	10.9	11.2	11.0
RoCE (%)	16.3	11.8	14.6	14.2	12.6	10.0	10.6	10.6	10.9	10.7
RoCE (Pre-tax) (%)	22.1	15.9	19.9	19.0	17.0	13.5	14.2	14.1	14.6	14.4
Fixed asset turnover (x)	2.1	2.1	2.0	1.8	1.9	1.9	1.8	1.8	1.8	1.9
Total asset turnover (x)	1.5	1.6	1.6	1.5	1.5	1.4	1.4	1.3	1.3	1.3
Financial stability ratios										
Net Debt to Equity (x)	-0.1	-0.0	-0.0	-0.0	-0.0	0.0	0.1	-0.0	-0.0	-0.0
Net Debt to EBITDA (x)	-0.4	-0.1	-0.0	-0.2	-0.1	0.1	0.3	-0.2	-0.1	-0.1
Interest cover (x)	76.2	41.9	32.3	39.6	32.6	32.9	38.4	37.5	39.2	39.6
Cash conversion days	76	75	60	64	63	61	58	58	58	58
Total Working capital days	49	48	60	47	33	35	32	32	32	31
Valuation metrics										
Fully Diluted Shares (mn)	171	171	171	183	183	183	183	183	183	183
Market cap (Rs.mn)		1,62,742								
P/E (x)	23.5	29.7	20.8	18.0	18.5	21.0	17.6	16.0	14.2	13.2
P/Sales (x)	2.3	1.9	1.6	1.4	1.3	1.2	1.1	1.0	1.0	0.9
EV (Rs.mn) (ex-CWIP)	1,61,218	1,62,371	1,62,617	1,59,581	1,61,910	1,64,303	1,67,565	1,59,487	1,60,170	1,59,596
EV/ EBITDA (x)	14.5	15.9	11.3	9.8	9.9	10.6	9.3	8.3	7.9	7.3
EV/ OCF(x)	20.1	25.7	17.0	12.1	11.8	12.3	10.7	10.0	9.1	8.6
FCF Yield (%)	1.9	-0.8	3.0	5.4	3.8	3.6	6.5	6.8	7.4	8.1
Price to BV (x)	3.9	3.6	2.7	2.4	2.2	2.0	1.8	1.7	1.5	1.4
Dividend yield (%)	0.6	1.1	0.4	0.8	1.2	1.2	1.2	1.3	1.4	1.5
Dividend pay-out (%)	13.2	33.4	7.9	15.1	19.7	20.0	20.0	20.0	20.0	20.0

Avendus SPARK

Crystal Ball Gazing

Expect ARENM to report a revenue and PAT CAGR of ~8% & 8% respectively through FY23-FY30E. ARENM to benefit from strong growth in the automotive replacement segment coupled with robust prospects in the solar/e-rickshaw and renewable energy sectors. See sustained improvement in EBITDA margin to ~12.3% by FY30E, leveraging upon its competitive strength and operating leverages. We, however, believe that these could be tempered by heightening competitive intensity.

Expect revenue growth to be led primarily by the automotive segment through FY27E; stability returning to telecom segment would aid margins

	FY08-FY11	FY11-FY14	FY14-FY22	FY23-FY30E
Revenues CAGR	42%	25%	14%	8%
Gross Margin	37%	33%	33%	32%
EBITDA CAGR	52%	29%	9%	6%
EBITDA margin	14.3%	15.3%	15.5%	12.7%
EPS CAGR	61%	34%	5%	8%
Total Asset Turnover (x)	1.5	2.0	1.8	1.4
Total WC days	96	49	50	38
Pre-tax OCF/EBITDA (%)	65%	90%	88%	102%
Post Tax OCF as a % of IC	13%	34%	24%	18%
Debt/EBITDA	0.7	(0.3)	(0.2)	(0.0)

+

Significant capex over the medium-term to result in muted improvement in return ratios

	FY08-FY11	FY11-FY14	FY14-FY22	FY23-FY30E
RoE (%)	22.8%	28.9%	20.3%	11.8%
RoCE (%)	16.1%	25.8%	19.4%	11.8%
RoIC (%)	25.0%	49.4%	32.5%	16.0%

+

Robust growth prospects in the automotive and newer segments, coupled with healthy cash generation/FCF, to support multiples

Implied P/E multiple	FY30E EPS (Rs.)	Price target
15x	67.2	1,000

Entry = Rs. 889 @ 16.0x FY28E EPS + **Cumulative Dividends of Rs. 45/share** + **EPS CAGR of ~8%, implied exit multiple of 15x on FY30E EPS** = **Total Return of 17%**

Source: Company data, Avendus Spark Research

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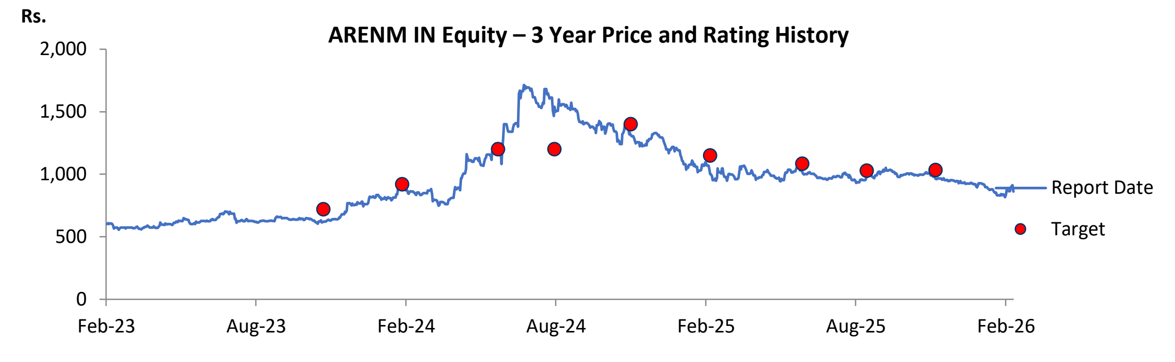

Report Date	CMP (Rs.)	TP (Rs.)	Reco.
13-Feb-26	861	900	ADD
10-Nov-25	980	1,035	ADD
19-Aug-25	958	1,030	ADD
02-Jun-25	1,031	1,085	ADD
11-Feb-25	1,032	1,150	ADD
07-Nov-24	1,330	1,400	ADD
07-Aug-24	1,465	1,200	REDUCE
31-May-24	1,180	1,200	ADD
05-Feb-24	895	920	ADD
02-Nov-23	618	720	ADD
#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A

Absolute Rating Interpretation	
BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◄► No Change | ▼ Downgrade | ▲ Upgrade

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