1QFY27 Result Update

11 August 2026

Strong revenue momentum; BESS emerges as near-term growth driver

Amara Raja Energy & Mobility

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Maintain Hold

Current Price (Rs)	: 970
Target Price (Rs)	: 1,195
Potential Upside (%)	: 23.2

Source: Bloomberg, 360 ONE CM Research

Market Data

No. of Shares (mn)	: 183
Free Float (%)	: 67.1
Market Cap (Rs bn)	: 178
52-week High/Low (Rs)	: 1,058/670
Avg. Daily Volume (6M)	: 1.3 mn
Avg. Daily Value (6M; US$)	: 12.0 mn
Bloomberg Code	: ARENM IN
Promoters Holding (%)	: 32.9
FII/DII (%)	: 17.3/15.3

Source: Bloomberg, 360 ONE CM Research

Price Performance

(%)	1M	3M	12M
Absolute	9.0	11.7	1.6
Relative	8.3	8.9	4.6

Source: Bloomberg, 360 ONE CM Research

Key sense of result and Outlook & Valuation

Amara Raja Energy & Mobility (ARE&M) delivered **strong revenue growth of 20.6% YoY and 16.8% QoQ**, supported by healthy OEM, aftermarket and home energy demand, along with robust growth in New Energy. However, **EBITDA margin at 10.1% remained below expectations**, impacted by higher plastics and sulphuric acid costs and elevated strategic spending. **New Energy revenue grew >70% YoY to Rs 2.1 bn**, while the **CQP was commissioned in July**. Management announced another **2-3% price hike** to offset raw material inflation.

We remain positive on the long-term outlook, but management indicated that the **16 GWh cell capacity plan will be calibrated to demand and product mix**, with ESS cells potentially prioritised. The separate **10 GWh LFP-based BESS facility** entails **initial capex of Rs 2.5-3.0 bn** and is expected to commence operations as per the earlier timeline. At the current market price of **Rs 970**, the stock trades at **18.5x FY27E EPS of Rs 52.5 and 14.6x FY28E EPS of Rs 66.4**. We maintain our **Hold** rating on the stock with a revised **target price of Rs 1,195** (from earlier Rs 1,111), valuing the stock at 18x FY28E EPS.

What has changed in estimates

Considering the **stronger-than-expected revenue momentum in 1QFY27**, we have raised our **FY27E revenue growth estimate to 17.9% from 11.8%** earlier. However, given the **continued inflation in plastics, sulphuric acid and alloy costs**, along with the lag in passing on cost increases, we have lowered our **FY27E EBITDA margin estimate to 11.5% from 12.7%** earlier.

Key result highlights

ARE&M reported standalone revenue of Rs 40.4 bn (+20.6% YoY, +16.8% QoQ), above expectations of Rs 37.5 bn, driven by sustained double-digit OEM growth, strong aftermarket and home energy demand, and continued growth in New Energy. EBITDA margin stood at 10.1% (-140 bps YoY, -80 bps QoQ), below expectations of 11.3%, impacted by elevated plastics and sulphuric acid costs, higher brand promotion and strategic initiative expenses, and increased manufacturing-excellence costs. Adjusted PAT stood at ~Rs 2.0 bn (+4.5% YoY, +43.6% QoQ). New Energy revenue grew >70% YoY to Rs 2.1 bn, supported by strong telecom and EV pack volumes.

Key concall highlights

Management expects **another 2-3% price hike** in August to offset elevated plastics, sulphuric acid and alloy costs, with most cost pressures expected to be recovered over the next one-two quarters. **FY27 capex is guided at ~Rs 17 bn**, including **~Rs 13 bn for New Energy**, with **~Rs 4.5 bn spent in 1QFY27**. The **10 GWh LFP-based BESS facility** entails initial capex of **Rs 2.5-3.0 bn**, with management expecting utilisation to reach **~5 GWh within six-seven months** of commissioning and operating margins of **~5-8%**. The **16 GWh cell capacity plan is not a firm commitment** and will be calibrated to demand and product mix, with ESS cells potentially prioritised over EV cells. Management retains a **15-20% long-term market share ambition** in lithium cells, while China dependence for cathode materials remains a key supply chain risk.

Financial summary

(Rs mn)	1QFY26	1QFY27	YoY (%)	4QFY26	QoQ (%)
Net sales	**33,499**	**40,414**	**20.6**	**34,599**	**16.8**
EBITDA	**3,867**	**4,074**	**5.4**	**3,771**	**8.0**
EBIT margin (%)	8.1	7.0	(110 bps)	7.7	(66 bps)
Other Income	139	159	14.1	276	(42.3)
Interest	(104)	(107)	3.1	(134)	(20.2)
Depreciation	(1,292)	(1,403)	8.6	(1,396)	0.5
PBT	**2,610**	**2,723**	**4.3**	**4,329**	**(37.1)**
Tax	(670)	(695)	3.7	(1,106)	(37.1)
Reported PAT	1,940	2,028	4.5	3,223	(37.1)
Adjusted PAT	**1,940**	**2,028**	**4.5**	**1,412**	**43.6**
Adjusted EPS (Rs)	11.4	11.9	4.5	8.3	43.6

Source: Company, 360 ONE CM Research

Change in estimates

Particulars	Old		New		Change (%)	
(Rs mn)	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	151,519	169,274	159,745	178,397	5.4	5.4
EBITDA	19,188	21,776	18,313	22,949	(4.6)	5.4
EBITDA margin (%)	12.7	12.9	11.5	12.9	–	–
Adjusted PAT	10,264	11,290	9,615	12,153	(6.3)	7.6
PAT margin (%)	6.8	6.7	6.0	6.8	–	–
Adjusted EPS (Rs)	56.1	61.7	52.5	66.4	(6.3)	7.6

Financial Summary (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Net sales	**124,049**	**135,489**	**159,745**	**178,397**
Growth (%)	*10.2*	*9.2*	*17.9*	*11.7*
Raw material	(84,071)	(93,574)	(112,939)	(123,629)
Gross profit	**39,978**	**41,914**	**46,805**	**54,768**
Employee cost	(7,468)	(8,396)	(9,585)	(10,704)
Other expenditure	(16,220)	(18,076)	(18,908)	(21,115)
Other operating income	–	–	–	–
EBITDA	**16,291**	**15,442**	**18,313**	**22,949**
Growth (%)	*2.9*	*(5.2)*	*18.6*	*25.3*
Depreciation	(4,921)	(5,477)	(5,875)	(6,899)
Other income	933	919	981	961
EBIT	**12,303**	**10,885**	**13,418**	**17,011**
Finance cost	(422)	(407)	(456)	(477)
Exceptional income/(expense)	1,111	2,591	–	–
Profit before tax	**12,991**	**13,069**	**12,963**	**16,535**
Tax (current + deferred)	(3,353)	(3,365)	(3,348)	(4,382)
Profit/(loss) for the year	**9,639**	**9,704**	**9,615**	**12,153**
P/L of JV/A, minority interest	–	–	–	–
Reported profit/(loss)	**9,639**	**9,704**	**9,615**	**12,153**
Adjusted net profit/(loss)	**8,528**	**7,113**	**9,615**	**12,153**

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Share Capital	183	183	183	183
Reserves & surplus	73,600	81,425	89,433	99,980
Shareholders' funds	**73,783**	**81,608**	**89,616**	**100,163**
Minority interest	–	–	–	–
Long-term borrowings	811	796	756	681
Other non-current liabilities	3,500	4,418	5,085	5,574
Total non-current liab.	**4,311**	**5,214**	**5,841**	**6,254**
Short-term borrowings	–	–	–	–
Trade payables	10,465	12,028	13,924	15,242
Other current liabilities	9,765	9,422	11,209	12,518
Total current liabilities	**22,003**	**24,432**	**28,205**	**30,893**
Total (Equity & Liab.)	**100,097**	**111,253**	**123,662**	**137,311**
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	2,113	2,359
Non-current assets	**64,217**	**72,940**	**80,824**	**83,945**
Cash and cash equivalents	1,820	1,854	2,034	4,535
Inventories	20,364	22,828	23,342	26,068
Trade receivables	11,428	11,673	13,130	17,107
Other current assets	2,268	1,959	4,333	5,656
Current assets	**35,881**	**38,314**	**42,839**	**53,365**
Total (Assets)	**100,097**	**111,253**	**123,662**	**137,311**

Cash Flow

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E
Profit before tax	12,991	13,069	12,963	16,535
Depreciation	4,921	5,477	5,875	6,899
Change in working capital	3,171	(1,101)	(482)	(5,267)
Total tax paid	(3,338)	(3,365)	(3,348)	(4,382)
Others	422	407	456	477
CF from operations (a)	**18,167**	**14,487**	**15,463**	**14,262**
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**	**4,541**	**5,987**
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)	(305)	(366)
CF from financing (c)	**(2,695)**	**(1,099)**	**(1,861)**	**(1,986)**
Net change in cash (a+b+c)	**775**	**34**	**180**	**2,501**

Key Ratios

Y/E Mar (%)	FY25	FY26	FY27E	FY28E
Adjusted EPS (Rs)	46.6	38.9	52.5	66.4
Growth	*(6.0)*	*(16.6)*	*35.2*	*26.4*
Book NAV/share (Rs)	403.2	445.9	489.7	547.3
Dividend payout ratio	11.6	14.3	16.7	13.2
Gross margin	32.2	30.9	29.3	30.7
EBITDA margin	13.1	11.4	11.5	12.9
EBIT margin	9.9	8.0	8.4	9.5
Tax rate	28.2	32.1	25.8	26.5
RoCE	16.2	12.8	14.2	16.4
RoE	12.1	9.2	11.2	12.8
RoIC (post-tax)	15.4	12.3	15.3	17.5
Net debt/equity (x)	0.0	0.0	0.0	0.0
Net debt/EBITDA (x)	0.0	0.1	0.1	0.0
Fixed asset turnover (x)	1.3	1.3	1.4	1.4
Net working capital days	40.8	37.4	33.4	46.0

Valuations

Y/E (x)	FY25	FY26	FY27E	FY28E
P/E	20.8	25.0	18.5	14.6
P/B	2.4	2.2	2.0	1.8
Dividend yield (%)	53.6	67.0	77.3	77.3
OCF yield (%)	(10.2)	(8.2)	(8.7)	(8.0)
EV/EBITDA	10.9	11.6	9.8	7.7
EV/Sales	1.4	1.3	1.1	1.0

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