



Stock Update

Amara Raja Energy & Mobility Ltd.

March 6, 2026



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs 805	Buy in Rs 800-815 band and add on dips in Rs 730-750 band	Rs 930	Rs 1015	4 quarters

BSE Code	500008
NSE Code	ARE&M
Bloomberg	ARENM IN
CMP Mar 5, 2026	805.1
Equity Capital (Rs Cr)	18.3
Face Value (Rs)	1
Equity Share O/S (Cr)	18.3
Market Cap (Rs Cr)	14734
Book Value (Rs)	422.7
Avg. 52 Wk Volumes	519,000
52 Week High	1109.0
52 Week Low	793.4

Share holding Pattern % (Sep, 2025)	
Promoters	32.9
Institutions	34.5
Non Institutions	32.6
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

The auto sector is a cyclical industry with a 4-5-year cycle. The sector witnessed strong growth post the pandemic over FY21-25 and a sharp slowdown in H1FY26. Automobile sales have started to pick up in Q3FY26 and have remained strong in Jan'26, underscoring sustained consumer demand and a constructive market environment. GST 2.0-led affordability gains, improved rural sentiment, and healthy export traction continued to positively impact wholesale volumes.

Amara Raja Energy & Mobility (AREM) is effectively leveraging its dominant position in the traditional lead-acid market (brands like Amaron and PowerZone) to fund its aggressive entry into the high-growth lithium-ion and BESS sectors. Strategic tie-ups with global players such as Gotion-InoBat (GIB) provide the company with critical access to LFP and NMC cell chemistries, reducing R&D risk and accelerating time-to-market.

Q3FY26 Result Update and Concall Highlights

AREM reported decent growth for Q3FY26. While the top-line performance remained resilient due to strong domestic automotive demand, the bottom line faced significant pressure from one-time exceptional costs and rising raw material prices. Revenue from operations grew by 4.2% YoY to Rs 3,410cr, up from Rs 3,272 crore in the same period last year. This growth was primarily fueled by a 25% surge in 4-wheeler OEM volumes and steady performance in the domestic aftermarket. However, Adj. PAT plummeted by 22% YoY to Rs 123cr, largely due to a significant exceptional expense related to new Labour Code legislations and a sharp contraction in operating margins. EBITDA margins stood at 11%, compared to 12.4% in the previous year, squeezed by the rising costs of raw materials like lead, antimony, and sulfuric acid.

Management Guidance and Strategic Outlook

Management remains optimistic about the long-term trajectory, with a heavy focus on the Energy & Mobility pivot. Post the 2% hike taken in early Jan'26, it is confident of returning to 13-14% from 11-12% seen in the last 4 quarters. For FY27, the company has guided for a capex of Rs 1,300–1,400 crore, with nearly Rs 1,000 crore dedicated to the New Energy segment.

The outlook for the core Lead-Acid Business (LAB) is mixed; while automotive OEM demand is expected to remain robust, the telecom segment continues to decline sharply (down 45% this quarter) as customers migrate to lithium-ion solutions. To counter export headwinds caused by geopolitical tensions and US tariffs, Amara Raja is exploring the establishment of a wholly-owned subsidiary in the United States to stabilise its international footprint and improve local distribution.

New Energy and Giga Factory Roadmap

The company's New Energy Business (NEB) is the centerpiece of its future growth. Management confirmed that the Customer Qualification Plant (CQP) and R&D facility in Hyderabad are on track for inauguration by Q4FY26 or early Q1FY27. These facilities will allow the company to supply "Made in India" cells to customers for testing. Furthermore, the Phase 1 Gigafactory (2 GWh capacity) is progressing according to schedule, with commercial production targeted for early calendar year 2027. AREM has also approved an additional investment of Rs 280cr for a 5 GWh Battery Energy Storage Solutions (BESS) plant, aiming to capture 15% of the Indian BESS market by FY31.

Government support for battery manufacturing

The government of India has introduced various policies to boost India's battery market. These policies include the 'National Program on Advanced Chemistry Cell (ACC) Battery Storage (DHI) and the Battery Swapping policy. India's EV battery market is expected to reach US\$ 2 billion by 2026 and surpass US\$ 3 billion by 2031.

Robust Balance Sheet

Despite heavy capex, the company maintains a near-debt-free status with a strong net-cash position, providing the financial flexibility needed to navigate the capital-intensive battery manufacturing landscape.

Key Risks

- Slowdown in automobile industry
- Geographical concentration of operations
- Exposure to intense competition
- Slow ramp up of production

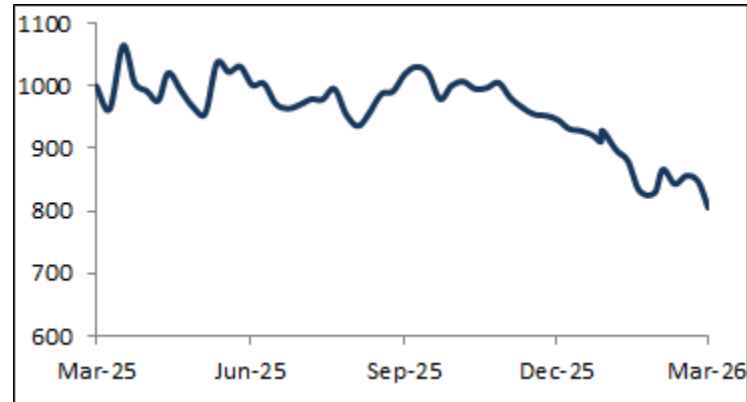
Valuation & Recommendation:

Following the post-result price correction, the stock is trading at a P/E multiple lower than its historical averages and industry peers, potentially offering an attractive entry point for long-term investors bullish on India's electrification story. We believe investors can buy the stock in the band of Rs 800-815 add on dips in Rs 730-750 band (13x FY28E EPS) for the base case fair value of Rs 930 (16.5x FY28E EPS) and the bull case fair value of Rs 1015 (18x FY28E EPS) over the next 4 quarters.

Financial Summary:

Particulars (Rs cr)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
Operating Income	3410	3272	4.2	3467	-1.6	12,846	13,746	14,845	16,181
EBITDA	326	406	-19.6	374	-12.9	1,616	1,498	1,752	2,087
APAT	173	222	-22.2	186	-7.2	862	809	811	1,035
Diluted EPS (Rs)	9.4	12.1	-22.2	10.2	-7.2	47.1	44.2	44.3	56.6
RoE-%						12.2	10.5	9.7	11.4
P/E (x)						17.1	18.2	18.2	14.2
EV/EBITDA						8.9	10.2	8.8	7.1

One Year Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

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Any holding in stock – No

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