INVasset Corporate Insights

AMARA RAJA

Gotta be a better way

10th June, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Amara Raja Batteries Limited: Powering the Future

Company Overview and Market Presence: Amara Raja Batteries Limited (ARBL) is a leading Indian manufacturer of lead-acid batteries, serving both industrial and automotive sectors. The company exports to over 50 countries worldwide and is the preferred supplier for telecom, UPS, railways, power, oil, and gas sectors in India. ARBL's extensive market presence and strong client relationships reinforce its position as a key player in the battery industry.

Business Segments and Revenue Breakdown: ARBL's operations include automotive batteries (68% of FY23 revenue), industrial batteries (30%), and new energy & mobility (2%). The automotive division serves various vehicles, while the industrial division caters to telecom, railways, power control, solar, and UPS. The new energy segment focuses on lithium cell and pack manufacturing, highlighting ARBL's commitment to future technologies.

Geographical Reach and Customer Base: In FY23, 88% of ARBL's sales were domestic, with 12% from exports. The company supplies automotive batteries to OEMs like Ashok Leyland, Honda, Hyundai, Mahindra & Mahindra, Maruti Suzuki, and Tata Motors. ARBL exports to 49 countries across the Indian Ocean Rim, demonstrating its significant global footprint and strong customer base.

Manufacturing Capabilities and Recent Setbacks: ARBL operates seven manufacturing plants in Andhra Pradesh, with a total annualized capacity of 19.2 million four-wheeler, 30 million two-wheeler, and 2.3 billion Ah of industrial batteries. A fire in January 2023 destroyed its tubular battery unit, resulting in a Rs. 438.56 crore loss for FY23. Despite this setback, the plant was fully insured, and ARBL plans to rebuild using insurance proceeds while outsourcing production in the interim.

Strategic Initiatives and Investments: ARBL is expanding into new energy and EV battery markets, with a conditional Euro 9.9 million investment in Inobat AS and a 14.33% stake in Log9. These initiatives highlight ARBL's commitment to innovation and growth in the evolving energy sector.

Lithium Battery Manufacturing and Future Plans: ARBL plans to develop a GIGA Corridor in Telangana with a total capex of INR 9,500 crores, including the E Positive Energy Labs in Hyderabad. The project aims for a 16 GWH cell capacity over the next decade, with commercialization expected by FY26.

Distribution Network and Market Expansion: ARBL has a robust distribution network in India, with 23 branches, 39 distribution points, over 500 Amaron franchisees, 100,000+ points of sale, 1,000+ Power Zone retail stores, and 2,000+ service hubs. The company exports to 50 countries and targets expansion in Europe, North America, South America, Southeast Asia, West Asia, and Africa.

Environmental Challenges and Compliance Efforts: ARBL faced environmental challenges, including a 2021 closure order for its plants in Chittoor and Tirupati by the Andhra Pradesh Pollution Control Board. The company appealed the decision, with the Andhra Pradesh High Court extending the interim suspension. ARBL is working to resolve these issues while maintaining environmental compliance.

Stock Data	
CMP (10-06-2024)	1400
52 Week High/Low	1508 / 599
Face Value	1.00
Market Cap (In Crs)	26,248
Enterprise Value (In Crs)	26,296
NSE	ARE&M
BSE	500008
Bloomberg	AMRJ:IN
Sector	AUTO ANCILLIARIES

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	32.86	28.06
FII	24.46	24.00
DII	15.36	17.91
Public	27.33	30.02

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	10.11	37.96	63.62
ARE&M	28.63	86.98	124.79

Key Ratios	
P/E	29.0
P/S	2.33
P/B	3.90
Debt To Equity	0.02
ROE	15.0%
ROCE	20.2%
Dividend Yield	0.74%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	2,797	2,882	2,433	-2.95%	14.96%
Expenses	2,389	2,447	2,080	-2.37%	14.86%
EBITDA	408	435	353	-6.21%	15.58%
Other Income	28	24	-25	16.67%	212.00%
Net Profit	228	253	141	-9.88%	61.70%
EPS	12.46	14.8	8.25	-15.81%	51.03%

Result Highlights

Amara Raja Batteries Q4 FY24 Performance: A Comprehensive Analysis

Sales Growth Analysis: Amara Raja Batteries reported Q4 FY24 sales of Rs 2,797 crore, a slight decline of 2.95% quarter-over-quarter (QoQ) from Q3 FY24 but a substantial increase of 14.96% year-over-year (YoY) from Q4 FY23. This demonstrates a robust annual growth trajectory despite a minor quarterly setback, indicating strong market demand and effective sales strategies. The impressive YoY growth highlights the company's resilience and market positioning. These results reflect the company's ability to maintain steady performance amidst challenging market conditions.

Expense Management Insights: The company's expenses for Q4 Fy24 stood at Rs 2,389 crore, showing a 2.37% decrease QoQ from Q3 FY24 but a 14.86% increase YoY from Q4 FY23. The reduction in quarterly expenses highlights effective cost-control measures, although the annual rise reflects the increased operational scale and market expansion efforts. This balance between controlling costs and expanding operations is crucial for sustained profitability. Effective expense management is essential for maintaining competitive advantage and ensuring long-term growth.

EBITDA Performance: Amara Raja Batteries' Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for Q4 FY24 was Rs 408 crore, marking a 6.21% decline QoQ from Q3 FY24 but a notable 15.58% growth YoY from Q4 FY23. The annual improvement in EBITDA underscores the company's enhanced operational efficiency and profitability. This growth in EBITDA indicates successful management practices and strategic planning. The positive YoY change in EBITDA suggests that the company is effectively leveraging its assets and capabilities.

Other Income Surge: The other income for Q4 FY24 was Rs 28 crore, representing a 16.67% increase QoQ from Q3 FY24 and a remarkable 212.00% rise YoY from Q4 FY23. This significant growth in other income suggests successful diversification of revenue streams and effective investment strategies. The surge in other income highlights the company's ability to generate additional revenue beyond its core operations. Diversified income sources contribute to financial stability and reduced dependence on primary business segments.

Net Profit and EPS: Amara Raja Batteries recorded a net profit of Rs 228 crore in Q4 FY24, a 9.88% decrease QoQ from Q3 FY24 but a substantial 51.70% increase YoY from Q4 FY23. The Earnings Per Share (EPS) for Q4 FY24 was Rs 12.46, reflecting a 15.81% decline QoQ and a 51.03% rise YoY, indicating strong annual profitability despite a quarterly dip. This significant YoY increase in net profit and EPS demonstrates the company's robust financial health. These metrics underline the effectiveness of the company's strategic initiatives and operational execution.

Summary and Future Outlook: The Q4 FY24 results highlight Amara Raja Batteries' strong annual growth in sales, EBITDA, and net profit, despite some quarterly declines. The company's effective expense management and significant increase in other income position it well for future growth. Moving forward, continued focus on cost efficiency and revenue diversification will be key to sustaining this positive momentum.

Concall Highlights

A Snapshot of Excellence: Amara Raja Batteries, with four decades of experience, is a leading brand in automotive and industrial batteries. They operate seven manufacturing facilities with an annual capacity of 50 million automotive batteries and 2.3 billion Ah of industrial batteries. The company exports to over 50 countries and employs around 8,000 people. Financially robust, it boasts a market cap of INR 120 billion, marginal debt, and a 10-year revenue CAGR of 13%. With an AA+ CRISIL rating and 40% institutional shareholding, Amara Raja maintains a strong brand recall and industry leadership in telecom and data centers.

Operational Excellence and Innovation: Amara Raja Batteries excels in both automotive and industrial battery segments. The automotive division, contributing 67% to FY24 revenue, is the largest exporter of four-wheeler batteries and pioneers AGM battery manufacturing for two-wheelers. The industrial division, with a 29% revenue share, leads in telecom and railways, introducing VRLA and MVRLA batteries in India. The new energy business focuses on Li cell manufacturing, EV charging products, and energy storage solutions. Notable achievements include developing India's first 21700 cylindrical cell and setting up the E Positive Energy Labs for innovation. Their operations are underpinned by a commitment to the circular economy and sustainability.

Manufacturing and Distribution Overview: Amara Raja Batteries operates seven manufacturing plants located in Andhra Pradesh, with an annual capacity of 50 million automotive batteries and 2.3 billion Ah of industrial batteries. The company completed the integration of Mangal Industries' plastic division in April 2022, enhancing margins. Its robust sales and distribution network in India includes 23 branches, 39 distribution points, and over 100,000 points of sale. This extensive network ensures widespread availability and efficient distribution of products across the country, supporting Amara Raja's strong market presence and customer accessibility.

Q4 FY24 New Energy Business Highlights: Amara Raja's New Energy Business (NEB) achieved 110% growth in FY24, with batteries contributing 80% of revenue. The company is expanding in the electric three-wheeler (e3W) segment and acquiring new customers across various mobility sectors. Leveraging relationships with telecom players, Amara Raja is entering new markets including UPS, ESS, and home energy for stationery applications. The company is optimizing its supply chain for cost efficiency and has invested Rs. 650 crore into NEB. These efforts underscore Amara Raja's leadership and commitment to innovation in the energy sector.

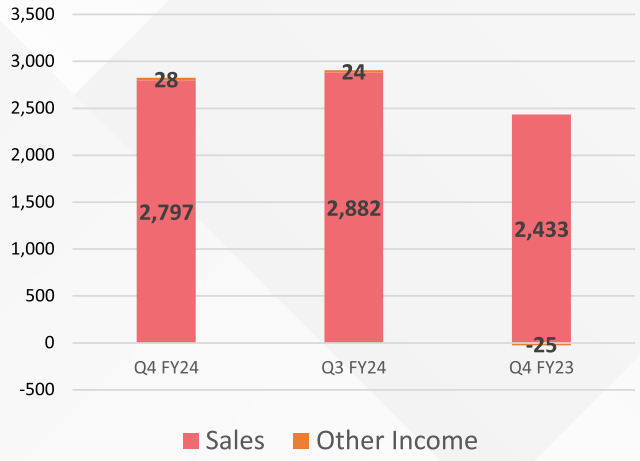
Key Capex Projects Progress: Amara Raja Batteries is advancing several key capital expenditure (Capex) projects. The Battery Recycling Plant at Cheyyar, Tamil Nadu, with a 1.5 lakh MTPA capacity, is 80% complete and expected to commence production in Q2/Q3 FY25. The Tubular Battery Plant at ARGC, Chittoor, redesigned for improved fire safety, aims to produce over 1 million batteries annually, starting Q4 FY25. Additionally, the New Energy Business is setting up a Pack Giga Plant in Divitipally, Hyderabad, with a 2GW cell line and comprehensive construction underway.

Q4 FY24 Segment Performance: In Q4 FY24, Amara Raja Batteries' lead acid battery revenues were Rs 27,915 million, slightly down from Q3 FY24 but up from Rs 23,449 million in Q4 FY23. Other business revenues stood at Rs 1,164 million, a decrease from Q3 FY24 but an increase from Rs 884 million in Q4 FY23. For the full FY24, lead acid battery revenues reached Rs 1,11,862 million, up from Rs 1,01,426 million in FY23, while other business revenues were Rs 5,223 million, up from Rs 2,494 million. Geographical revenue split showed 87% domestic and 13% exports in FY24, maintaining a stable distribution.

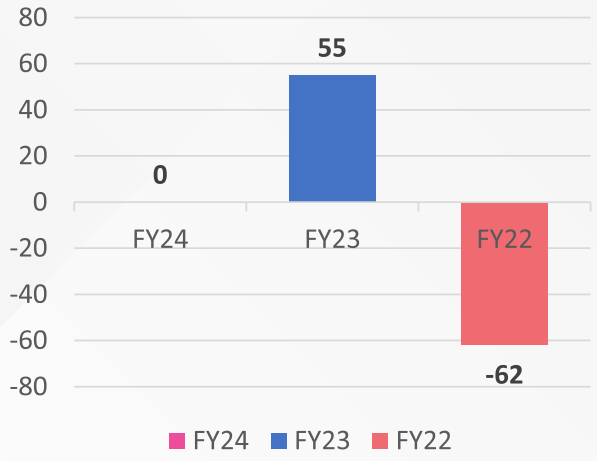
Consolidated Balance Sheet Fy24: Amara Raja Batteries' consolidated balance sheet for FY24 shows total assets of Rs 89,778 million, up from Rs 79,621 million in FY23. Non-current assets increased to Rs 51,083 million, with significant investments in property, plant, and equipment (Rs 29,095 million). Current assets grew to Rs 38,695 million, driven by inventories (Rs 19,484 million) and trade receivables (Rs 11,358 million). Equity rose to Rs 67,987 million, reflecting strong financial health. Non-current liabilities slightly decreased to Rs 4,540 million, while current liabilities decreased to Rs 17,251 million.

Consolidated Financial Performance Fy24: Amara Raja Batteries achieved robust financial growth in FY24 with revenues rising to Rs 117,084 million from Rs 103,920 million in FY23. EBITDA increased to Rs 16,585 million with margins improving to 14.17%. PAT rose to Rs 9,344 million, enhancing PAT margins to 7.98%. The company's net worth grew to Rs 67,987 million. ROCE and ROE improved to 14.59% and 19.16%, respectively, reflecting efficient capital utilization and profitability. These financial metrics underscore Amara Raja's strong operational performance and financial health.

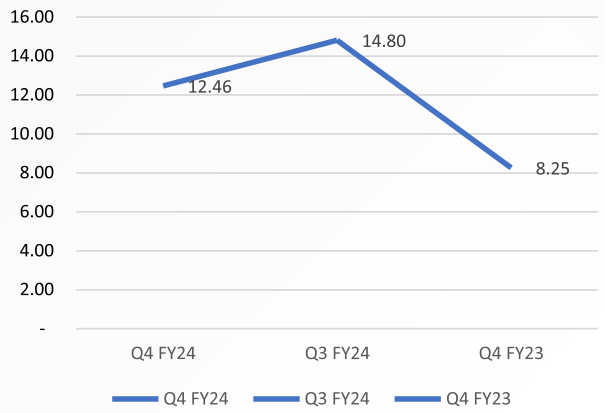
Sales & Other Income (In Cr)



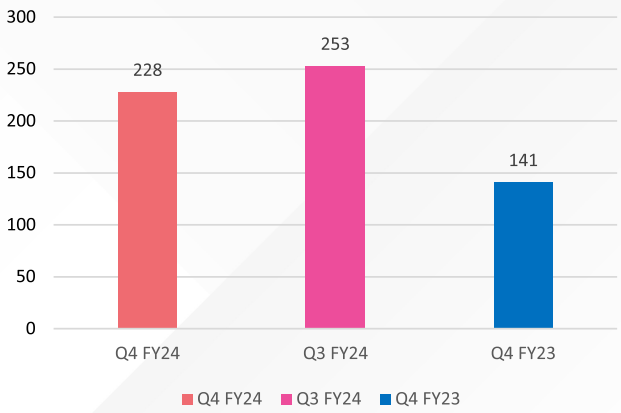
Cash flow (In Cr)



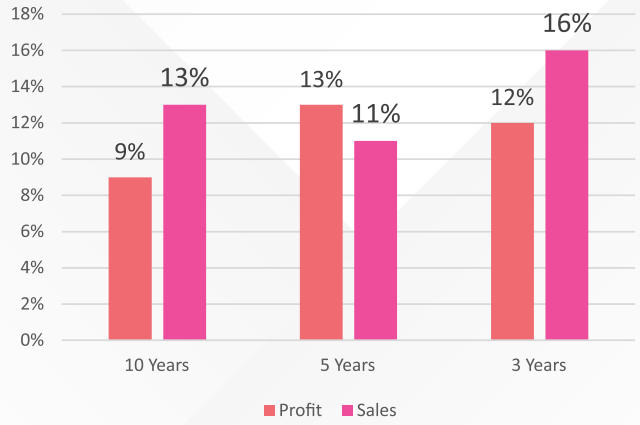
EPS



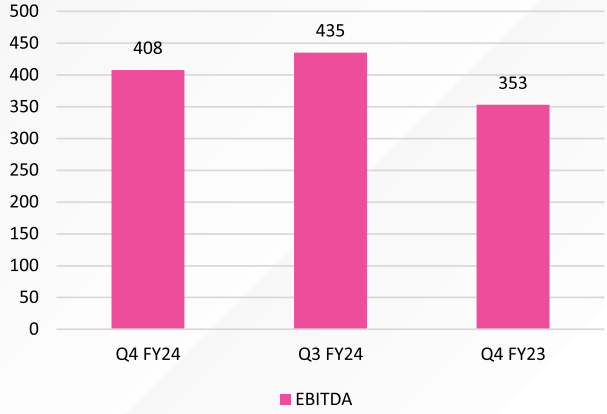
Net Profit (In Cr)



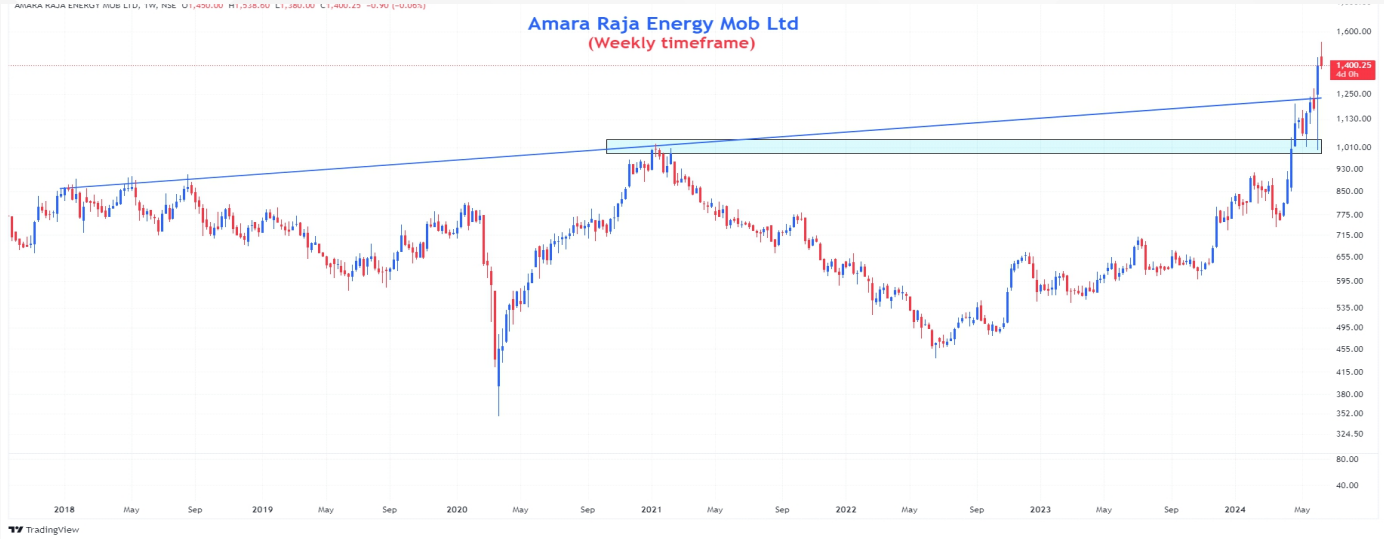
Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The chart presents the weekly price action of Amara Raja Energy Mob Ltd reveals significant insights. The stock is currently trading at ₹1,414.15, showing a strong upward trend. The weekly chart displays a notable breakout above a long-term resistance line around ₹1,200, which had acted as a barrier since 2018. The breakout is accompanied by high trading volume, indicating strong buying interest. The Relative Strength Index (RSI) values, with a daily RSI of 71.42 and a weekly RSI of 81.29, suggest that the stock is overbought, raising the potential for a short-term price correction. However, the overall bullish trend suggests positive investor sentiment and the possibility of continued upward momentum. The stock's performance should be closely monitored for any signs of a pullback or consolidation, especially given the overbought conditions indicated by the RSI.
The technical analysis of Amara Raja Energy Mob Ltd reveals varied performance across different moving averages. The 5-day simple moving average is 1,235, while the exponential moving average is 1,274.2, indicating short-term upward momentum. As the period increases to 200 days, the simple moving average drops to 813.8 and the exponential to 867.1, suggesting a long-term downtrend. The data highlights short-term bullish signals contrasted with long-term bearish trends.

The technical analysis of Amara Raja Energy Mob Ltd shows a high Relative Strength Index (RSI) with daily RSI at 71.42 and weekly RSI at 81.29. These values indicate that the stock is currently overbought, suggesting potential for a price correction or consolidation in the near term.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1,235	1,274.2
10	1,222.9	1,231.6
20	11,78.8	1,186.9
50	1,055.9	1,085.2
100	945.2	980.5
200	813.8	867.1

Pivot Levels : FIBONACCI		
R1 1,475.8	Pivot 1374.02	S1 1,299.3
R2 1,550.5		S2 1,197.5
R3 1,652.3		S3 1,122.8

	Daily	Weekly
Relative Strength Index (RSI)	71.42	81.29

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com