

AMARA RAJA BATTERIES LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.626.15 (As on 4th Aug 2023)

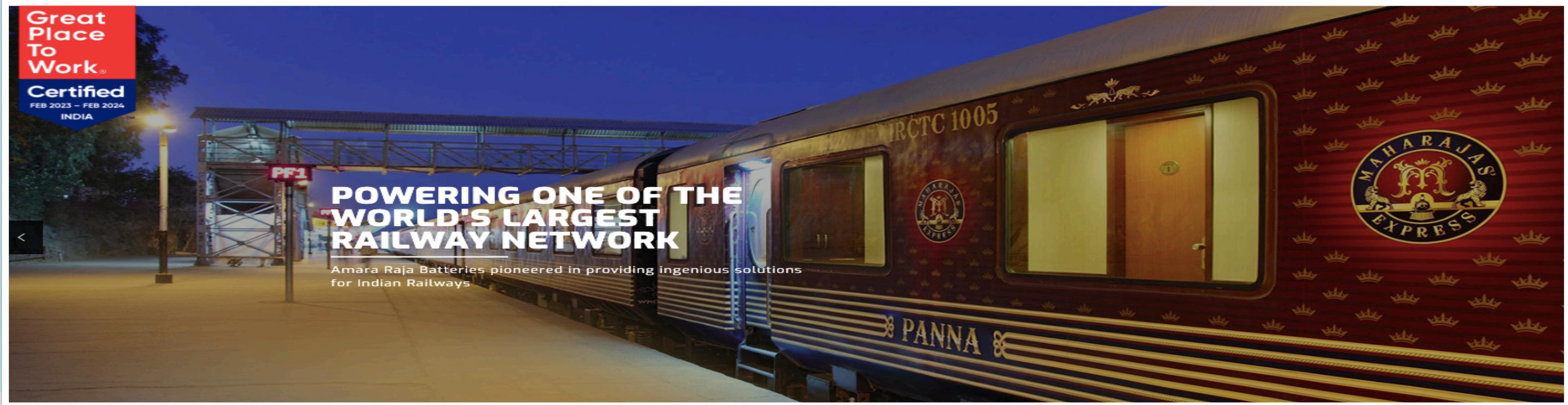
TARGET PRICE : Rs.783.00

FACE VALUE : Re.1

BSE CODE : 500008

NSE CODE : AMARAJABAT





Amara Raja Batteries Ltd., the flagship company of the Amara Raja Group, is the technology leader and is one of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in the Indian storage battery industry. In India, Amara Raja is the preferred supplier to major telecom service providers, Telecom equipment manufacturers, UPS sector (OEM & Replacement), Indian Railways and to Power, Oil & Gas among other industry segments.

ABOUT THE COMPANY

The Company has prestigious original equipment manufacturers like Maruti Suzuki India Limited, Hyundai Motors India Limited, Ford India Limited, Tata Motors Limited, Mahindra and Mahindra Limited, Honda Cars India Limited, Renault Nissan, Honda Motorcycles & Scooters India Private Ltd, Royal Enfield, Bajaj Auto Ltd, and many more as its clients. The Company's Industrial and Automotive batteries are exported to 50 countries across the globe.

The Amara Raja Way

INNOVATION

Innovation to us is proactively rebelling for better ways of doing things leading to newer possibilities.

Element

Space

Mind State

Synthesising

EXCELLENCE

Excellence to us is continually enhancing our performance to consistently produce outstanding results with lasting impact.

Element

Wind

Mind State

Disciplined

ENTREPRENEURSHIP

Entrepreneurship to us is leading with courage and conviction to convert gaps into opportunities, create wealth and contribute to growth.

Element

Fire

Mind State

Creative



THE AMARA RAJA WAY...[®]

EXPERIENCES

Experiences to us is what we create for our stakeholders which make them feel part of something special, leading to endearing relationships.

Element

Water

Mind State

Spiritual

RESPONSIBILITY

Responsibility to us is the total ownership of our thoughts and actions in every situation to achieve maximum common good in the best interest of Environment, Society, Customer, Supplier, Employee and Share holders.

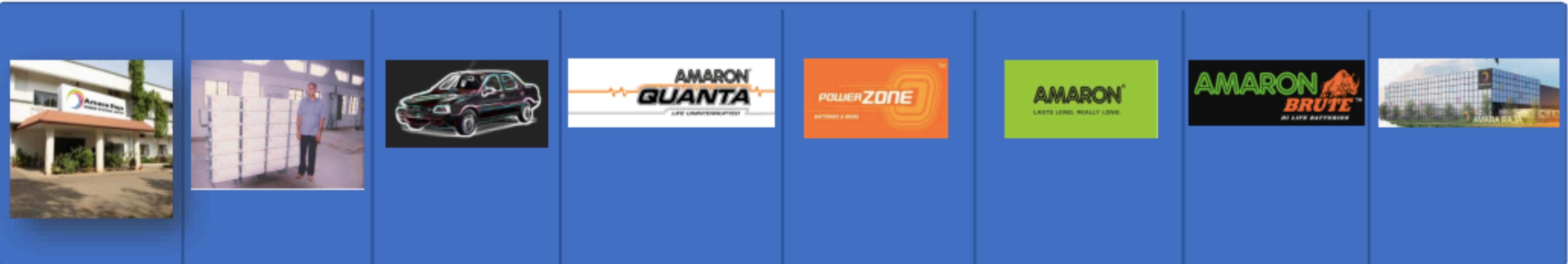
Element

Earth

Mind State

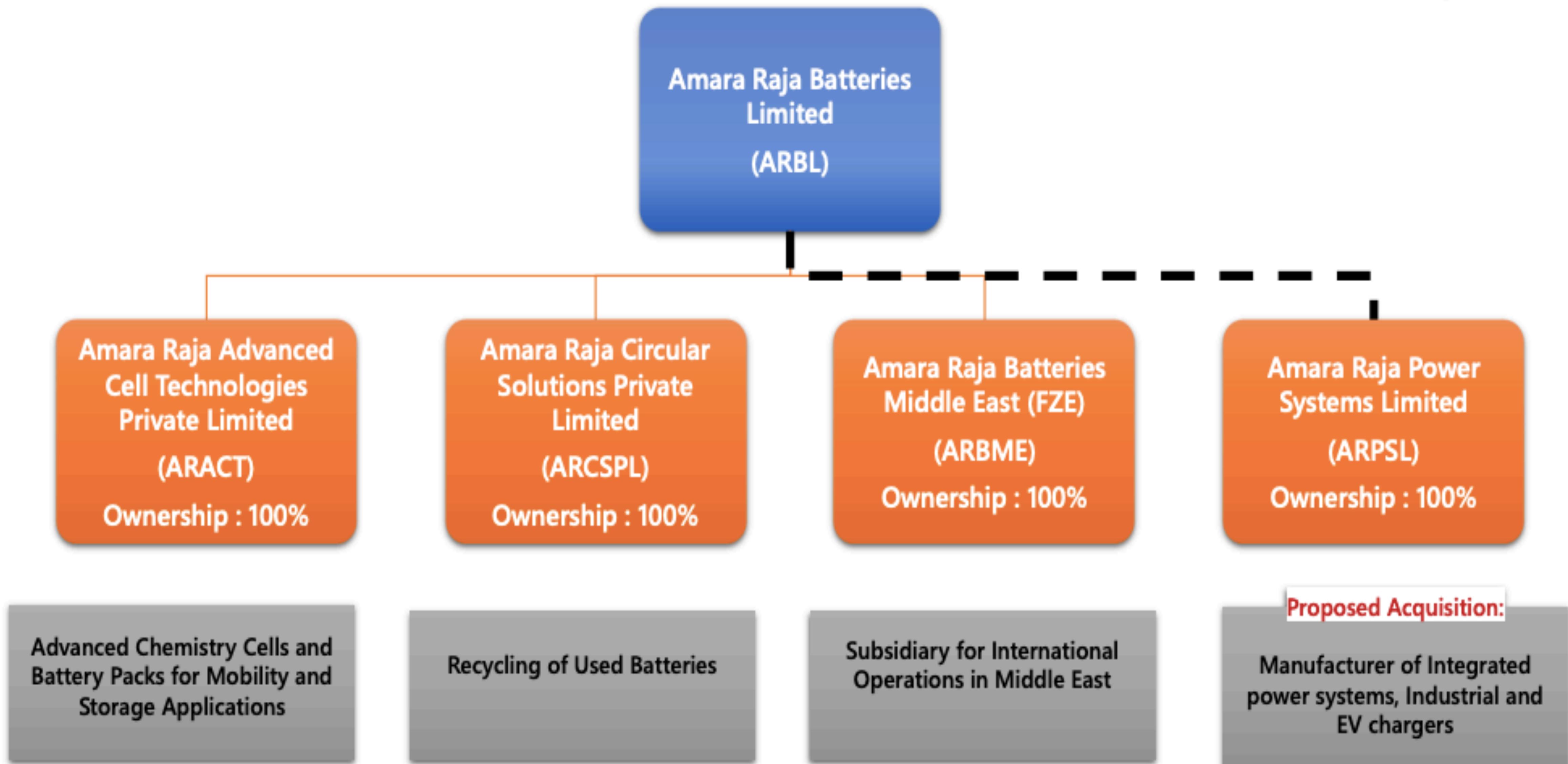
Respectful & Ethical

Journey So far



- | | | | | | | | |
|--|---|--|--|--|--|--|--|
| <ul style="list-style-type: none"> • ARPSL the 1st company of the group was incorporated • ARBL was incorporated • Technology agreement with GNB Batteries Inc | <ul style="list-style-type: none"> • ARBL introduces VRLA technology in India • ARBL goes public • ARBL launched VRLA batteries in Indian Railways for rolling stock application | <ul style="list-style-type: none"> • ARBL received ISO certification • ARBL diversified into automotive batteries and signed a JV with Johnson Controls Inc. • ARBL received QS-9000 certification • Supply of 1st batch of automotive batteries to Ford India Pvt. Ltd. | <ul style="list-style-type: none"> • AMARON brand automotive batteries launched • Quanta Branded UPS Batteries launched • Amaron Hi-way and Amaron Harvest Batteries launched • Amaron PRO, Amaron GO, Amaron FRESH and Amaron SHIELD batteries launched | <ul style="list-style-type: none"> • PowerZone Brand launched • ARBL launched 2 Wheeler battery plant • Amaron Black, Flo brands launched • Amaron Probike Rider, the first AGM battery for 2W was launched. | <ul style="list-style-type: none"> • New Amaron Logo unveiled • Amaron Sleek and Amaron Volt brands for industrial applications launched • World's largest MVRLA Battery plant launched in Chittoor | <ul style="list-style-type: none"> • 2nd automotive battery plant inaugurated • Amaron received Super brands status from Super brands council • ARBL inaugurated Tubular battery plant • Amaron Brute brand launched | <ul style="list-style-type: none"> • Subsidiary AMARA RAJA ADVANCED CELL TECHNOLOGIES started in 2022. Enters into MOU with Govt of Telangana for setting up of a 16 Gwh Gigafactory and advanced innovation hub. |
|--|---|--|--|--|--|--|--|

Structure



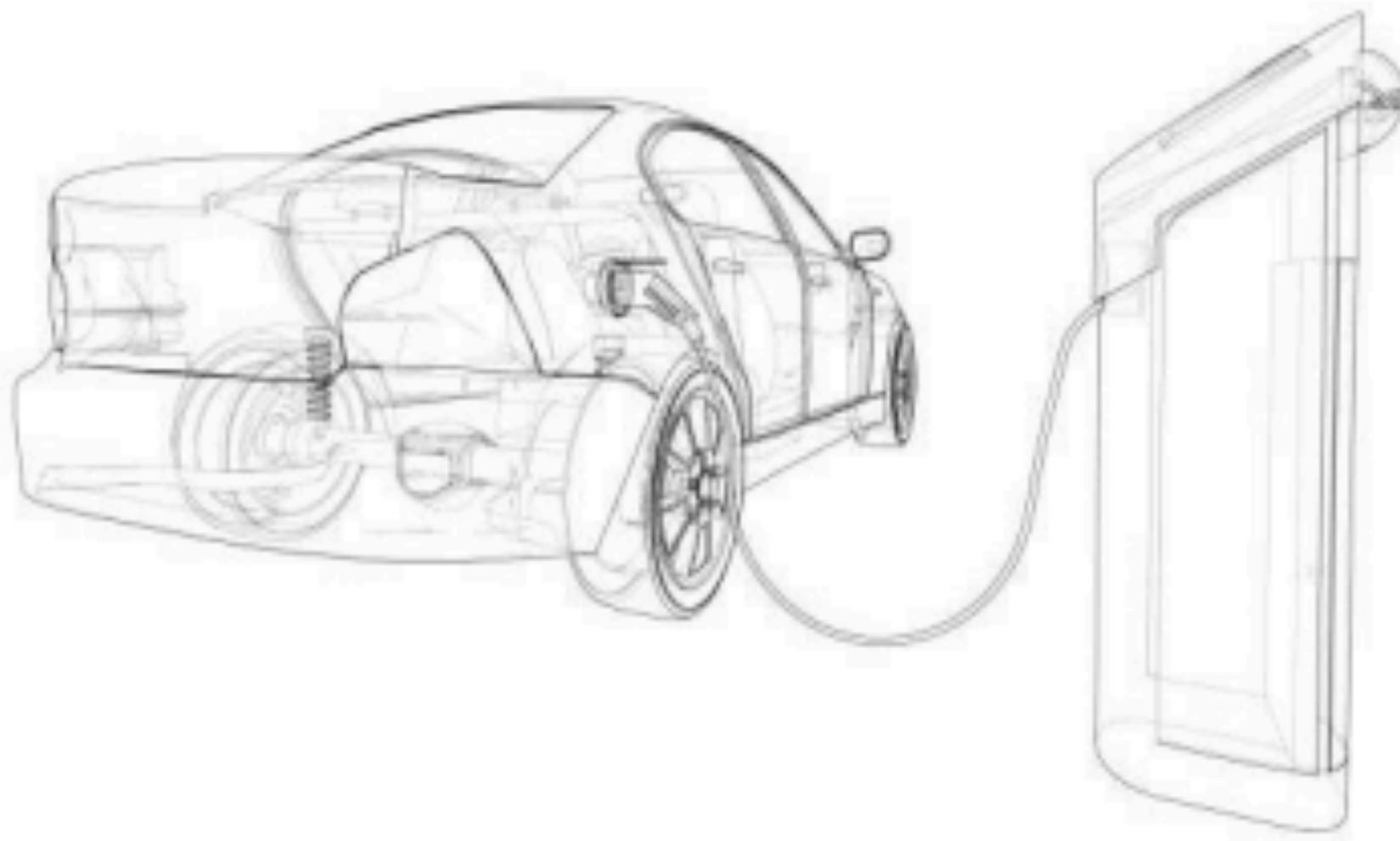
Energy & Mobility

Focus on lead acid batteries (LAB) value maximisation and transition to new age technologies.



LEAD ACID BATTERIES (LAB)

- Focus on Improving Efficiencies by leveraging improved process/Product Technologies
- International Expansion



NEW ENERGY & MOBILITY

- Li Cell and Pack Manufacturing
- EV Charging Products
- Energy Storage Solutions

Amara Raja Batteries Limited : Lead Acid Battery Business

ARBL

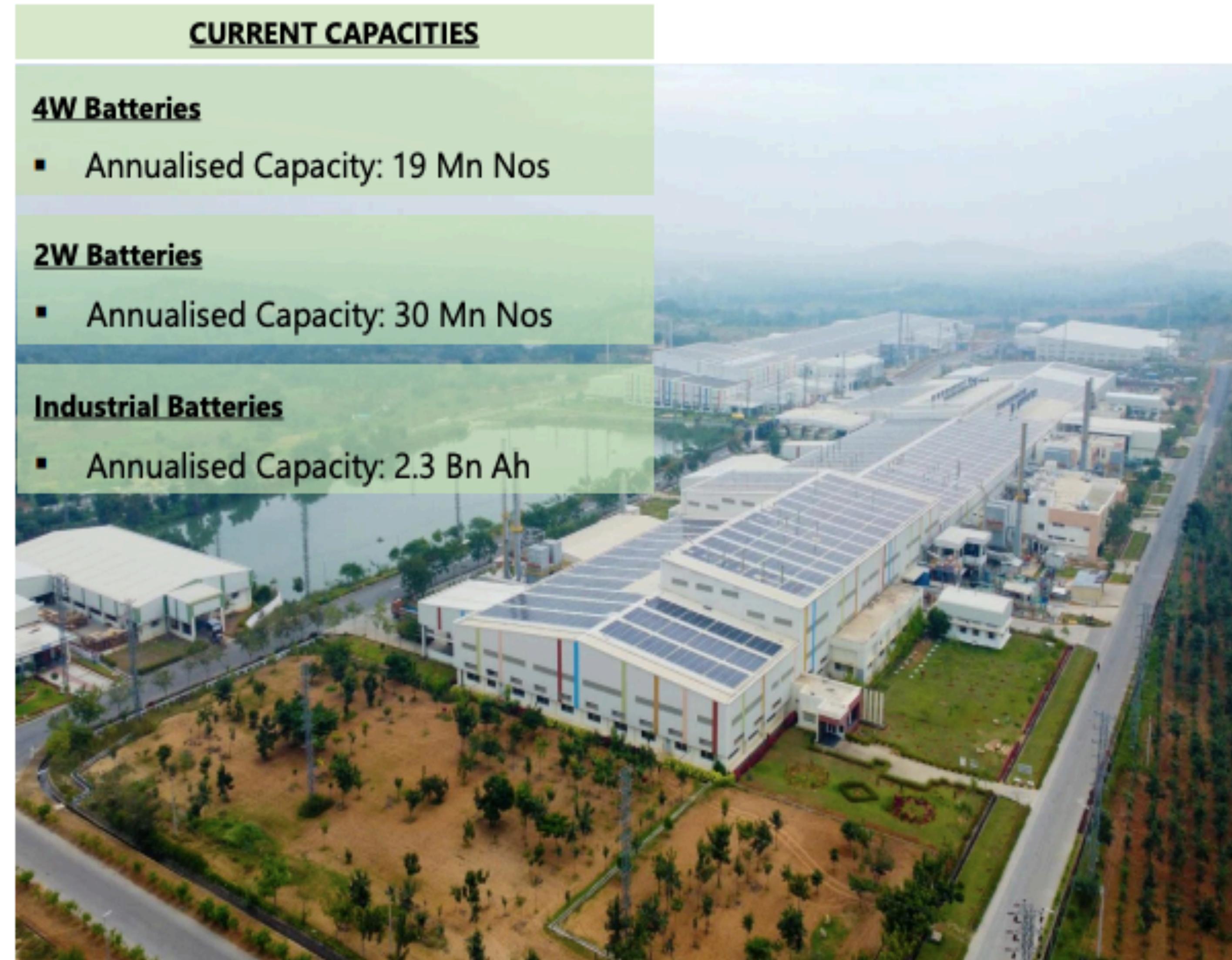
- ❖ 7 Battery Manufacturing Plants in two locations
- ❖ Largest Private Sector Employer in AP
- ❖ Strong work force with average age of 29 years

AUTOMOTIVE

- ❖ Leading Automotive Battery Brand
- ❖ Largest Exporter of 4W Batteries in India
- ❖ First AGM battery manufacturer for 2W

INDUSTRIAL

- ❖ First VRLA Battery Manufacturer in India
- ❖ Market Leader in Telecom.
- ❖ Largest Integrated Facility for MVRLA Batteries.
- ❖ Pioneered Battery Solutions for Indian Railways.



Distribution Network



SALES & DISTRIBUTION NETWORK - INDIA

23

Branches

39

Distribution
Points

500+

Amaron
Franchisees

100,000+

Points of Sale

1000 +

Power Zone
Retail stores

2000 +

Extensive
Service hubs.

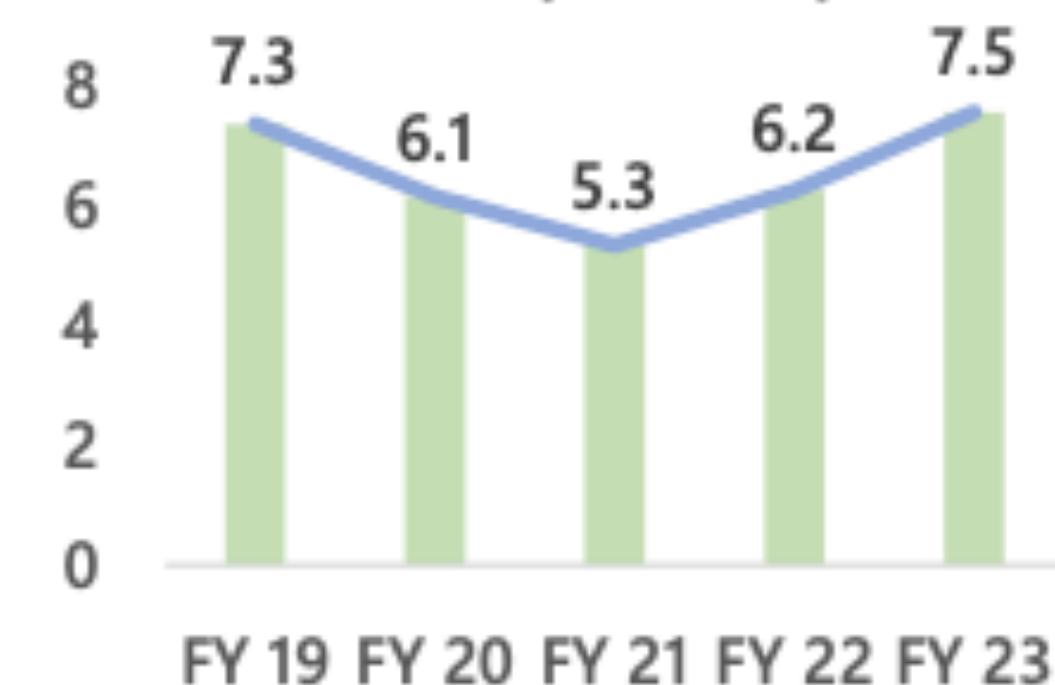
Brands, Applications



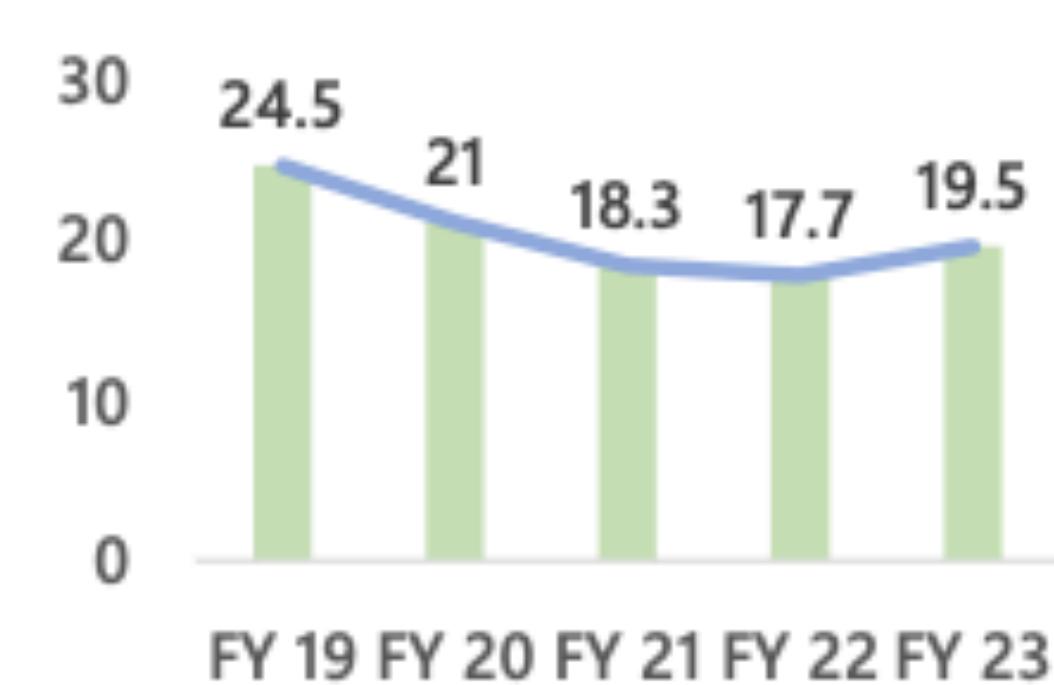
Business Outlook

- Demand for fuel efficient vehicles, meeting stringent regulatory norms, is increasing
- Increased use of ISS, EFB, AGM technologies will result in increased share of organized brands
- Auxiliary batteries for electric vehicle to enhance demand

India 4W Production
Trend (Mn nos)



India 2W Production
Trend (Mn Nos)



- 4W volumes in FY 23 back to pre-covid levels
- In 4Ws, healthy vehicle parc of over 70Mn vehicles to sustain the growth

- Uptick in 2W volumes in FY 23
- In 2W, healthy vehicle parc of over 200Mn vehicles to sustain the growth

Major Accomplishments

Market Gains



MS gain in 4 Wheeler aftermarket

MS gain in 2 Wheeler aftermarket

Customer Connect

- Amaron eCommerce enabled Website
- Launched 
- 100,000+ touch points/retail presence

Brand Identity

- Launch of The brand mascot
“The RONS” 
- Significant investment in brand building

Planned Initiatives

Going Digital

Hyperlocal Activity

Digital Warranty

Geographic targeting campaigns

New Products

Introducing New Products with channel and brand synergy

New Brands

New brands to explore different consumer segment

Automotive growing footprint

- 12% of Total Revenue from Exports
- Last 5 years Revenue CAGR of 14%

NAMR BRP : 84M

Europe BRP : 56M

CIS BRP : 23M

APAC BRP : 30M

Grow to
80+
countries
by FY28



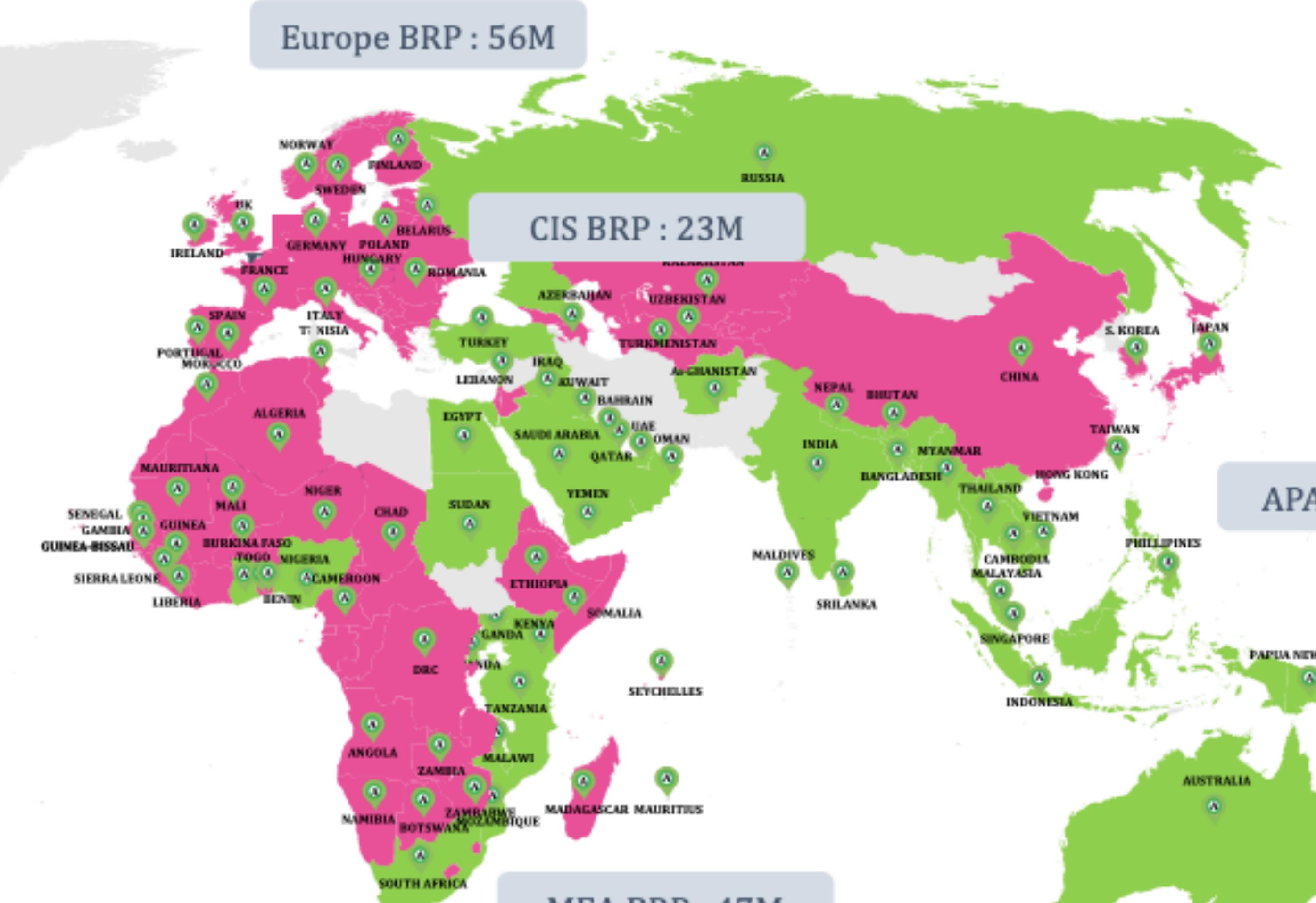
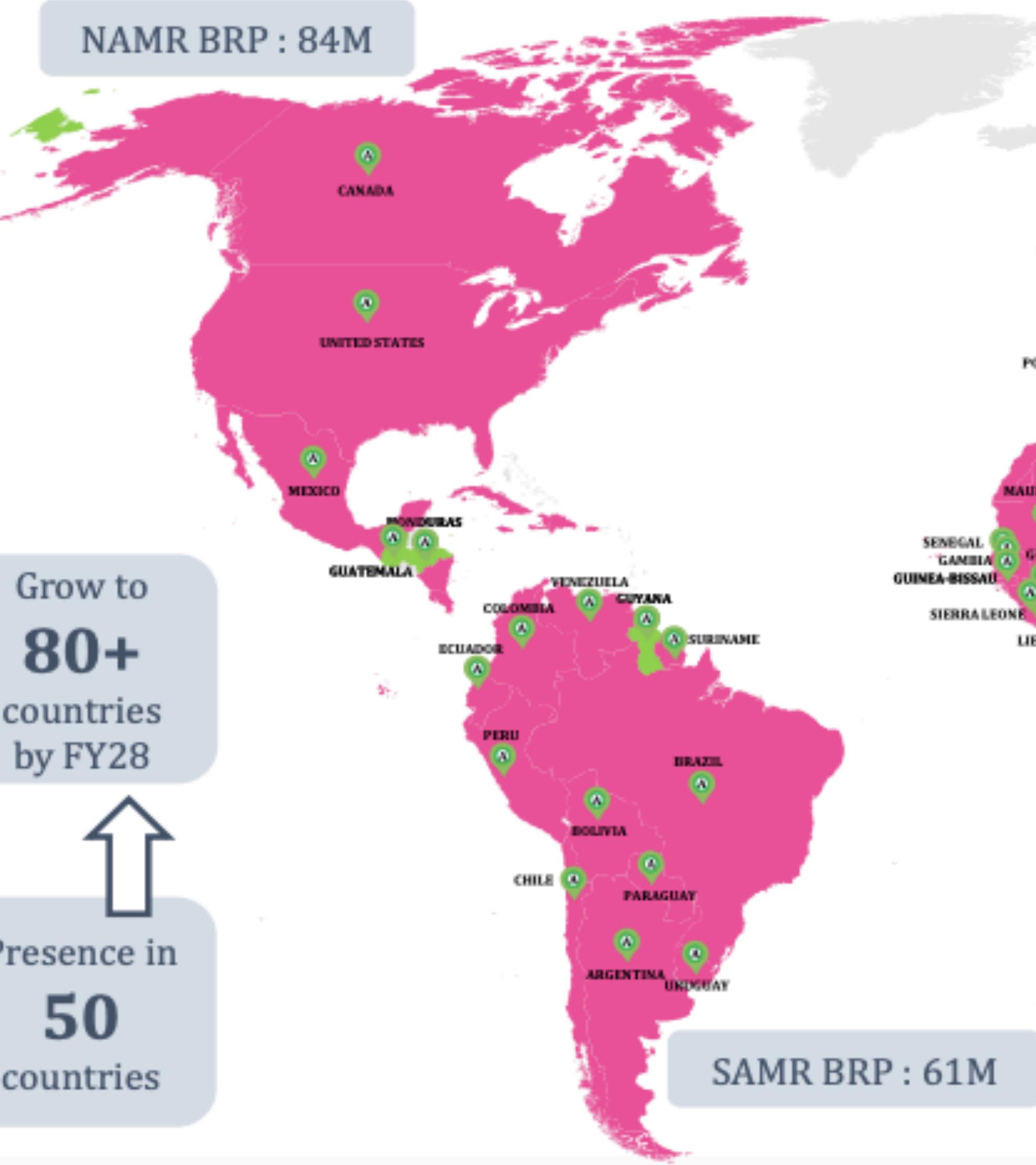
Presence in
50
countries

SAMR BRP : 61M

MEA BRP : 47M

Current ARBL presence

Expansion plan



Industrial Batteries: Double digit growth in FY 23



- Strong growth due to **5G rollout** & related network Augmentation.
 - ARBL continues to have dominant market share.
 - Demand for industrial UPS batteries continues to be robust.
 - ARBL meets more than half of the lead acid battery requirement in **Data Centres**.
 - Focus on emerging **BESS market** in Commercial and Industrial Segments
- Developing Lithium Solutions for Telecom, Data Centre, BESS and other applications in Industrial segment to get future ready
- Expanding to Newer Geographies /Markets

LAB Strategy Outline: TARGET REVENUE GROWTH OF 11 TO 12%



Automotive

Drive Efficiencies

Cost Efficiencies with ASG/MSG technologies.

Deepen the market presence

Leverage the channel network for distributing other allied products



International

Expand the presence

Expand presence to Europe and American Markets

Deepen presence in SE Asia, West Asia and African Markets

Global manufacturing foot print to avoid tariff barriers



Industrial

Energy Solutions

Hold the current Market shares in Telecom and UPS

Build Capabilities for Battery Energy solutions by offering Chemistry Agnostic Solutions

Initiatives for Growth / Value Maximization

Advanced Products

- AGM batteries for ICE & Micro Hybrids
- Auxiliary batteries (AGM) for EV's
- Next Gen UPS and High Wattage Batteries
- Batteries with Eco friendly FR components

Process Technology

- Complete migration to Stamped Grid range : Cost savings
- Stamped Grid technology for higher wattage to result in superior product performance for UPS,ESS and Telecom
- Advanced and efficient manufacturing process for AGM and Flooded Products

Digital & Efficiency

- Digitizing of service and distribution operations
- Further Reduction in Warranty Replacements

Recycling & Sustainability

- Recycling of Batteries through best process Technology
- Increase Usage of Renewable power (Current Capacity of 65 Mw)



New Energy Business

...New Growth Engine

Market Potential and Market Fit : Indian Market ~ 150 Gwh

Market Fit **Market Potential by FY 30**

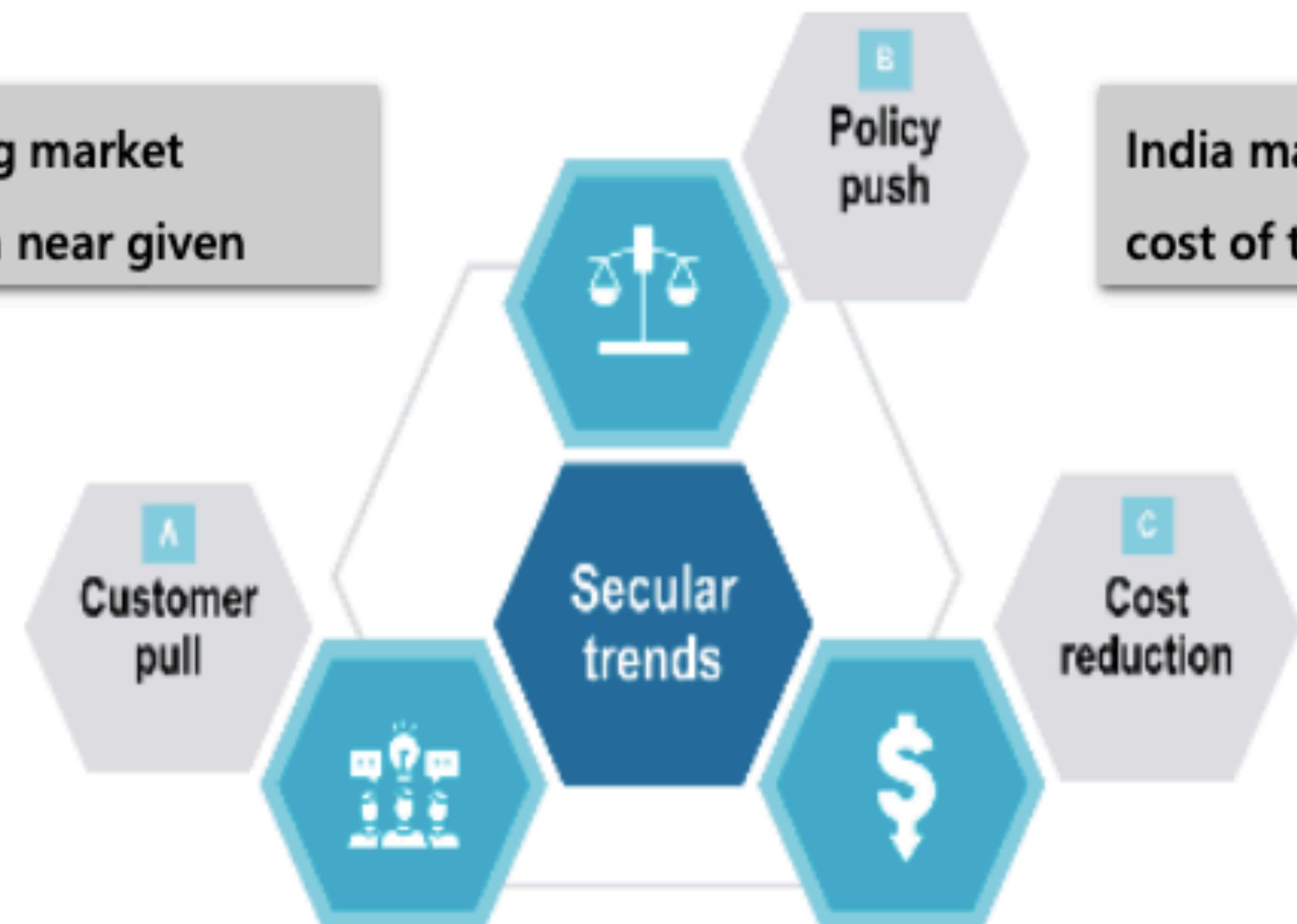
Pouch		-----
Prismatic		
Cylindrical		
	NMC	LFP

Application	Potential in GwH
LEV	45 to 50
PV	50 to 55
CV	15 to 25
Storage	20 to 30
Total	130 to 160

Market Potential and Market Fit : Indian Market ~ 150 Gwh

Underlying Demand Drivers

High customer pull for EVs ensuring market expansion in specific segments as a near given



India manufacturing subsidies ensure that the delivered cost of the final product is efficient and competitive

EV Chargers

	Off Board Charger	AC Charger	DC Fast Charger	12 Channel Battery Swapping Station
				
Input supply	150 to 280VAC	230VAC/415VAC	415VAC	415VAC
Output	48-59VDC	230VAC/415VAC	200-1000 V DC	42-58VDC
Range	500W to 3000W	3 KW to 22KW	30 KW to 300KW	Max. Power of 20KW
Conversion details	AC to DC Conversion	No Power Conversion	AC to DC Conversion	12 Nos of 1.9kWH Batteries
Application	Off Board Charger supplies DC power to E-2Wheeler & 3 Wheelers	Supplies controlled AC power supply to the On Board Charger for E-4 Wheelers	DC Fast Charging of E-4 Wheelers	To Charge E- 2/3 Wheeler batteries of 1.9kWHR Swappable Batteries

Giga Corridor Roadmap: Divitipally in Telangana

Phase 1

FY 25

- Customer Qualification plant
- 2 Gwh Cell Capacity
- 2 Gwh Pack facility

Phase 2

FY 28

- Cell Capacity of 8Gwh
- Pack Capacity of 5 Gwh

Phase 3

FY 32

- Cell Capacity of 16 Gwh



Key Strategic Building Blocks



Technology

- Build in-house competency in cell technology development
- Build strategic technology partnerships.
- Establish *Advanced Energy Research and Innovation Centre* in Hyderabad
- Create best-in-class product portfolio for both EV and ESS



Customers (Cells, Packs and Chargers)

- Leverage Customer Relationships and collaborate to create custom built products for Mobility and Stationary storage segments.
- Current Customers: Piaggio, Mahindra, Omega SEKI, Greaves Mobility, Tork motors and Baxy mobility, etc..



SCM

- Work with Strategic Vendors for Capital Equipment and Critical Raw Materials
- Support initiatives for strengthening domestic Supply Chain



Talent

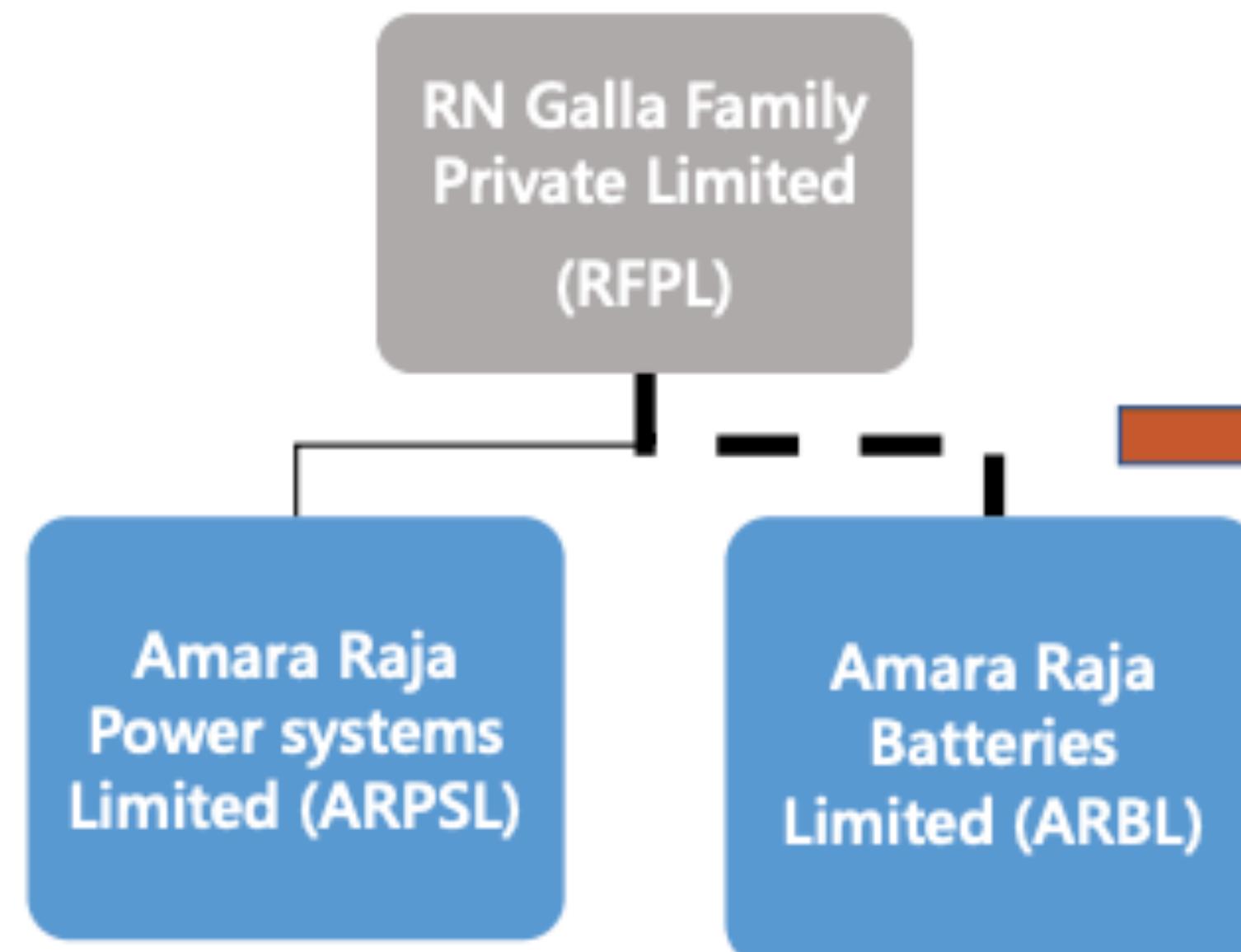
- Recruitment and on boarding of subject matter experts
- Build Deep Tech Expertise in Technology, Supply Chain and Operations
- To Promote Diversity & Inclusion
- Conscious initiatives on hiring of diverse gender
- Affirmative action efforts
- Rural & Urban Mix

Acquisition of Amara Raja Power Systems Limited

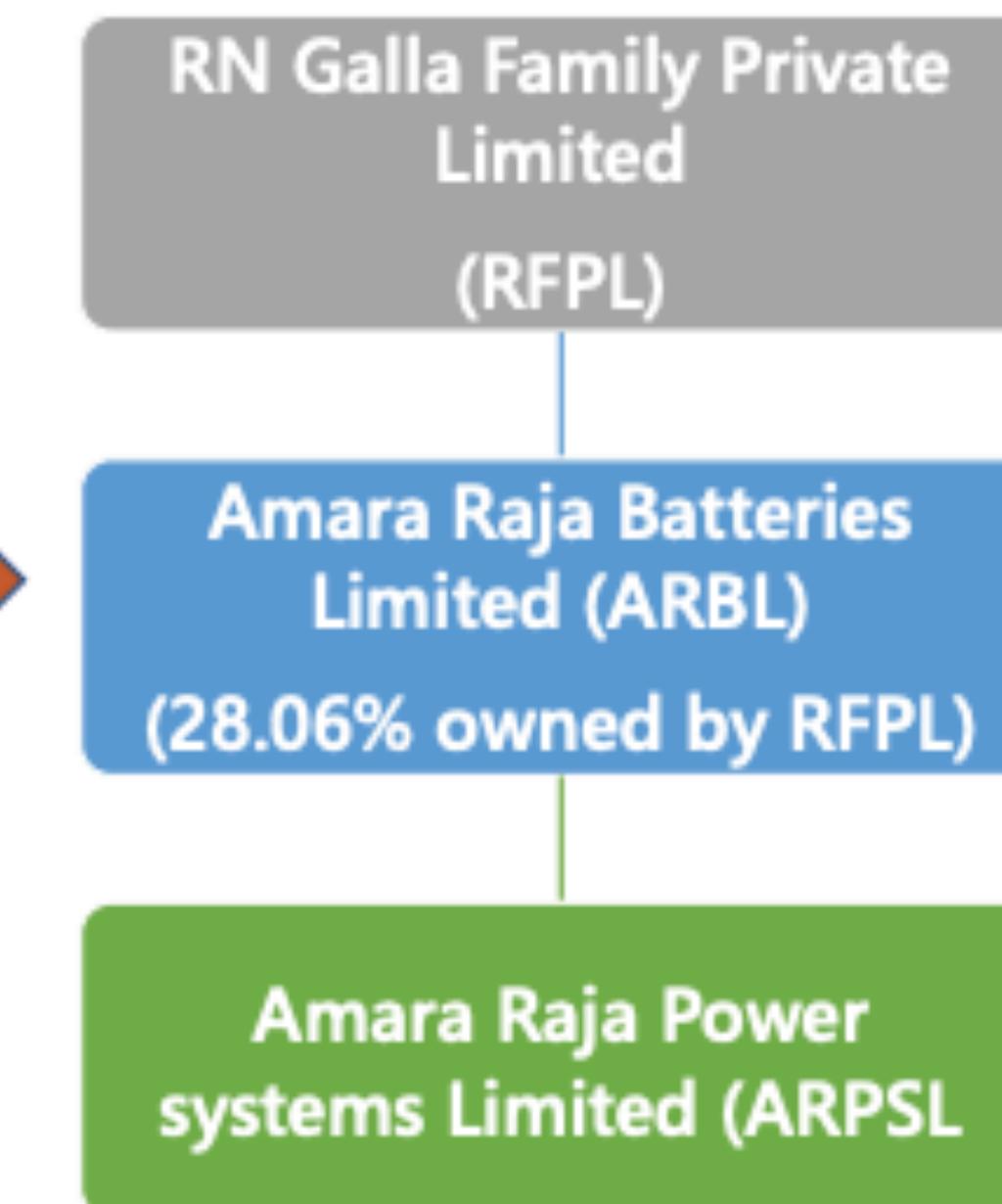
ARBL to acquire 100% of shares of ARPSL from RFPL



Pre-Transaction Structure



Post-Transaction Structure



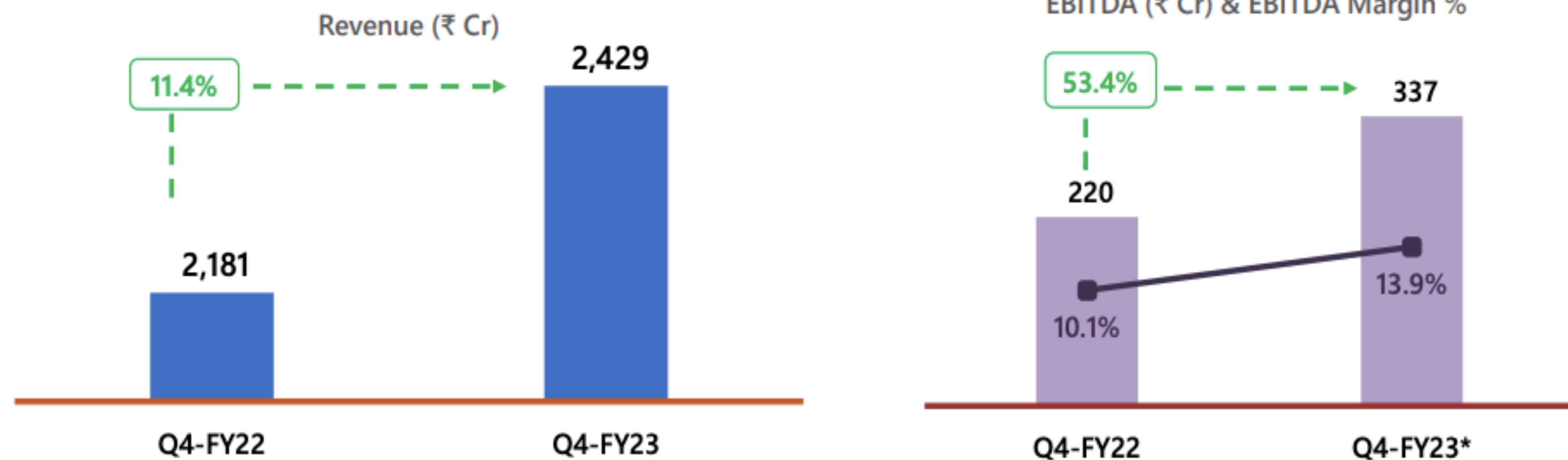
ARPSL: Financial Highlights

	FY 22	FY 23
Revenue	131	184
EBITDA	13	20
EBITDA %	10%	11%

ARPSL is involved in the manufacture of

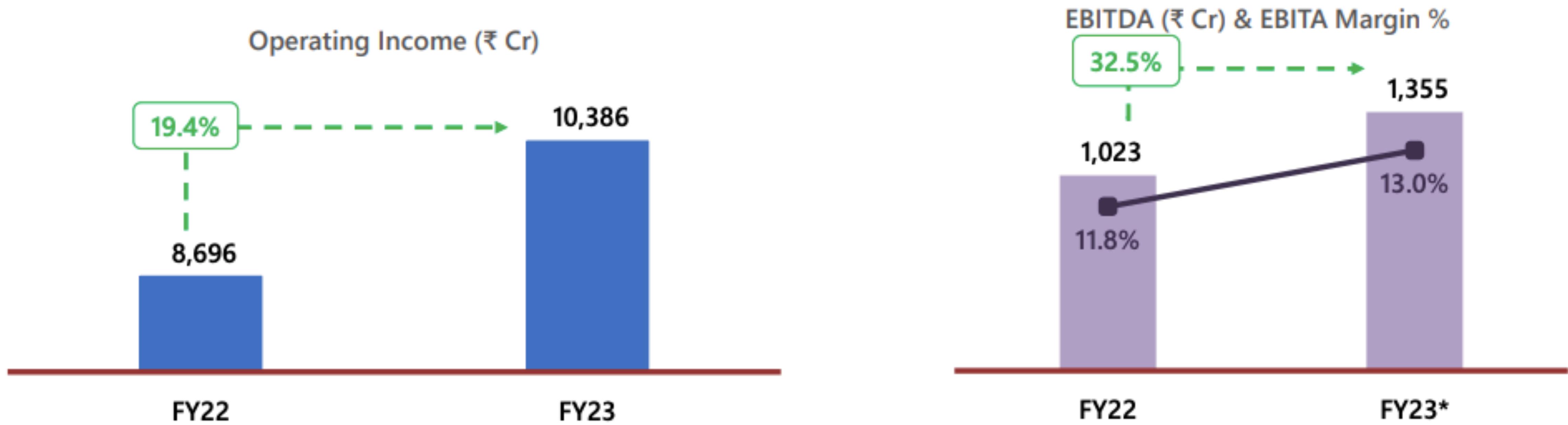
- Industrial Chargers and Integrated Power Systems for Indian Railways
- EV chargers for 2W/3W applications and is developing products for other EV applications

Q4 FY23 Standalone Financial Highlights



- Over all Automotive Volume growth of 10% to 13% except for tubular Batteries.
- Industrial Battery volume grew around 6% to 7%
- Revenue from EV chargers and Lithium Battery Packs grew by 5 times.
- Margin improvement due to Better operational Efficiencies and Higher Realization.

FY23 Financial Highlights



- Strong Volume Growth in Automotive Batteries around 13% and Industrial Batteries is around 12% while the Home UPS battery volume was stable compared to the previous year
- Revenue from EV chargers and Lithium Battery Packs grew by 3.5 times.
- Margin improvement due to lower input costs and higher realization.

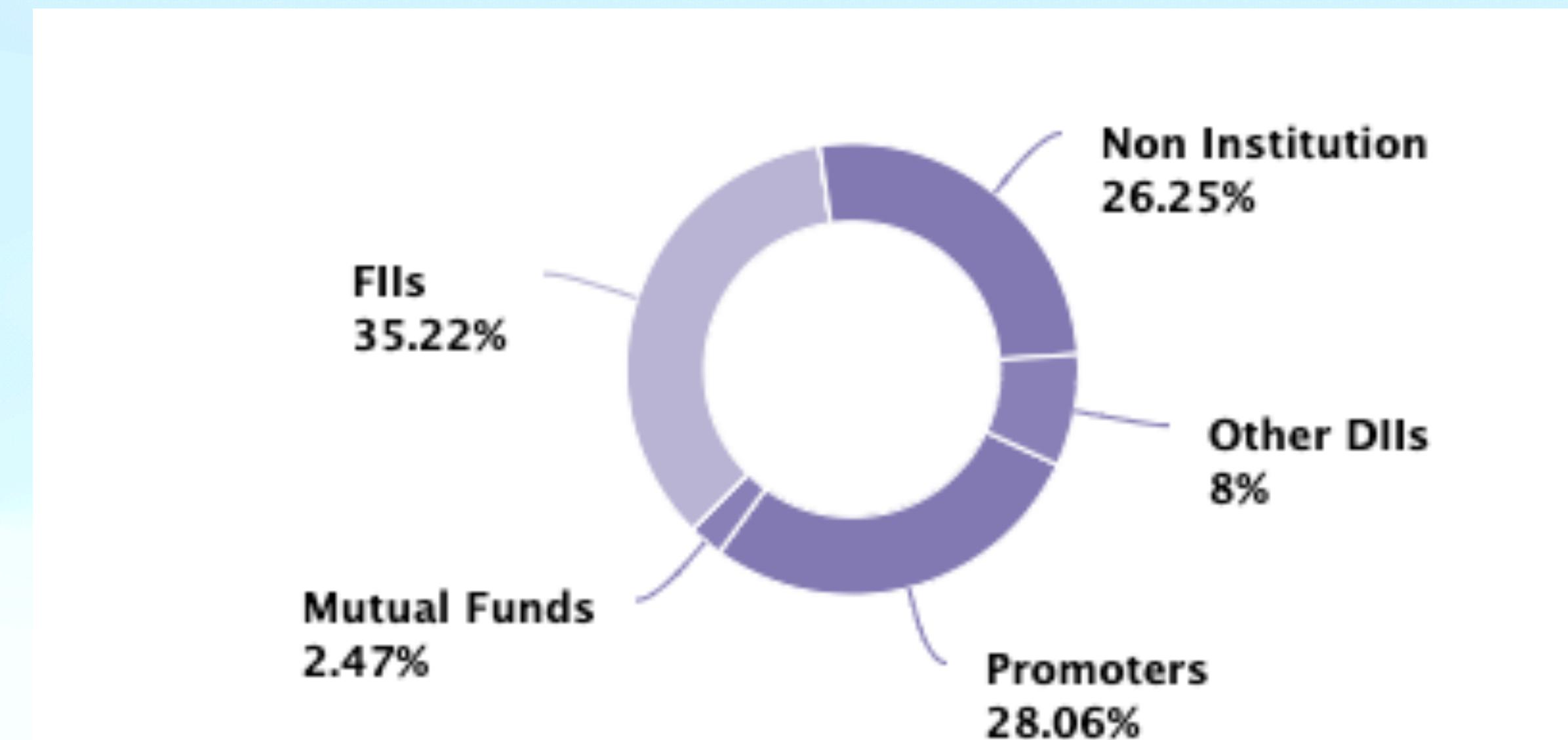
Yearly Results

YEARLY RESULTS OF AMARA RAJA BATTERIES (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	10,388.20	8,697.15	7,149.78	6,839.17	6,793.11
Total Income From Operations	10,388.20	8,697.15	7,149.78	6,839.17	6,793.11
EXPENDITURE					
Consumption of Raw Materials	6,638.72	5,969.39	4,382.54	4,219.07	4,603.06
Purchase of Traded Goods	487.41	473.91	430.07	175.92	170.18
Increase/Decrease in Stocks	-39.26	-321.95	-68.23	51.86	-129.14
Employees Cost	591.80	499.31	426.64	385.81	345.39
Depreciation	327.23	395.72	319.16	300.74	261.20
Other Expenses	1,457.43	1,052.53	863.08	907.97	852.13
P/L Before Other Inc., Int., Excpt. Items & Tax	924.87	628.24	796.52	797.80	690.29
Other Income	92.04	77.98	87.36	55.05	46.77
P/L Before Int., Excpt. Items & Tax	1,016.91	706.22	883.88	852.85	737.06
Interest	22.08	15.10	10.53	12.19	6.95
P/L Before Exceptional Items & Tax	994.83	691.12	873.35	840.66	730.11
Exceptional Items	-47.65	--	--	--	--
P/L Before Tax	947.18	691.12	873.35	840.66	730.11
Tax	252.65	178.55	226.52	179.86	246.88
P/L After Tax from Ordinary Activities	694.53	512.57	646.83	660.80	483.23
Net Profit/(Loss) For the Period	694.53	512.57	646.83	660.80	483.23
Net P/L After M.I & Associates	694.53	512.57	646.83	660.80	483.23
Equity Share Capital	17.08	17.08	17.08	17.08	17.08
Reserves Excluding Revaluation Reserves	5,282.16	4,535.40	4,192.91	3,638.23	3,317.96
EPS BEFORE EXTRA ORDINARY					
Basic EPS	40.66	30.01	37.87	38.69	28.29
Diluted EPS	40.66	30.01	37.87	38.69	28.29
EPS AFTER EXTRA ORDINARY					
Basic EPS.	40.66	30.01	37.87	38.69	28.29
Diluted EPS.	40.66	30.01	37.87	38.69	28.29

Key Financial Ratios

KEY FINANCIAL RATIOS OF AMARA RAJA BATTERIES (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	40.66	30.01	37.87	38.69	28.29
Diluted EPS (Rs.)	40.66	30.01	37.87	38.69	28.29
Cash EPS (Rs.)	65.68	53.18	56.56	56.30	43.58
Book Value [ExclRevalReserve]/Share (Rs.)	310.26	266.54	246.49	214.01	195.26
Book Value [InclRevalReserve]/Share (Rs.)	310.26	266.54	246.49	214.01	195.26
Revenue from Operations/Share (Rs.)	608.21	509.20	418.61	400.42	397.72
PBDIT/Share (Rs.)	84.55	64.52	70.44	67.54	58.45
PBIT/Share (Rs.)	59.54	41.35	51.75	49.93	43.15
PBT/Share (Rs.)	55.46	40.46	51.13	49.22	42.75
Net Profit/Share (Rs.)	40.66	30.01	37.87	38.69	28.29
NP After MI And SOA / Share (Rs.)	40.66	30.01	37.87	38.69	28.29
PROFITABILITY RATIOS					
PBDIT Margin (%)	13.90	12.67	16.82	16.86	14.69
PBIT Margin (%)	9.78	8.12	12.36	12.47	10.85
PBT Margin (%)	9.11	7.94	12.21	12.29	10.74
Net Profit Margin (%)	6.68	5.89	9.04	9.66	7.11
NP After MI And SOA Margin (%)	6.68	5.89	9.04	9.66	7.11
Return on Networth/Equity (%)	13.10	11.25	15.36	18.07	14.48
Return on Capital Employed (%)	17.92	14.56	19.78	21.87	20.51
Return on Assets (%)	9.74	8.03	11.15	13.21	10.74
Total Debt/Equity (X)	0.00	0.01	0.01	0.01	0.01
Asset Turnover Ratio (%)	1.54	1.43	123.33	136.77	151.10
LIQUIDITY RATIOS					
Current Ratio (X)	2.35	1.85	2.12	2.02	2.44
Quick Ratio (X)	1.17	0.67	1.04	0.98	1.27
Inventory Turnover Ratio (X)	3.85	3.68	4.97	5.98	6.40
Dividend Payout Ratio (NP) (%)	8.36	33.32	13.20	41.56	14.66
Dividend Payout Ratio (CP) (%)	5.17	18.80	8.84	28.56	9.52
Earnings Retention Ratio (%)	91.64	66.68	86.80	58.44	85.34
Cash Earnings Retention Ratio (%)	94.83	81.20	91.16	71.44	90.48
COVERAGE RATIOS					
Interest Coverage Ratios (%)	65.40	72.98	83.94	69.96	106.05
Interest Coverage Ratios (Post Tax) (%)	65.40	72.98	83.94	69.96	106.05
VALUATION RATIOS					
Enterprise Value (Cr.)	9,804.00	9,126.71	14,425.16	8,115.76	12,254.64
EV/Net Operating Revenue (X)	0.94	1.05	2.02	1.19	1.80
EV/EBITDA (X)	6.79	8.28	11.99	7.04	12.28
MarketCap/Net Operating Revenue (X)	0.95	1.05	2.04	1.19	1.81
Retention Ratios (%)	91.63	66.67	86.79	58.43	85.33
Price/BV (X)	1.87	2.01	3.46	2.23	3.68
Price/Net Operating Revenue	0.95	1.05	2.04	1.19	1.81
Earnings Yield	0.07	0.06	0.04	0.08	0.04

Shareholding Pattern as on Jun'23



Summary

- ❖ With deliverance of robust performance in Q4 of FY'23, the Company's Net Sales grew up by 11.39% i.e. Rs.2429.44 crs in Mar'23 as compared to Rs.2180.96 crs in Mar'22. However, the Net Profits rose up by 41.04% i.e. Rs.139.42 crs in Mar'23 versus Rs.98.85 crs in Mar'22.
- ❖ As per fair financials and fine fundamentals, the Company is available at a good price of Rs.626.15 with its 52 week low at Rs.479.15 and its 52 week high at Rs.709.00.
- ❖ The Shareholding Pattern as on Jun'23, shows the Promoters stood with 28.06% stake, the FIIs and the Other DIIs collectively stood with 43.22% holdings. Whereas, the Mutual Fund Houses stood with 2.47% stake.
- ❖ As a reaffirming fact, Amara Raja Batteries Ltd. is held by KOTAK MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 13.10% & 17.92% respectively as on Mar'23.
- ❖ For the year ending Mar'23, Amara Raja Batteries Ltd. has declared an equity dividend of 610.00% i.e. Rs.6.10 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

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List of Associates / Relatives:

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.

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