Dated: 10th Nov 2025

Amara Raja Energy & Mobility (ARENM) - SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.980	**Rs.925**

Rationale:

- Q2FY26 EBITDA came in at Rs406 cr (-8% yoy), which was in line with our estimates.
- We expect co's lead-acid business to remain steady over medium term; however, there is risk over long term, as industry shifts toward lithium battery business.
- We expect the return ratios of the consolidated business to remain inferior owing to higher capex requirements and the B2B nature of the LiB business.
- LiB business: We believe it will be difficult for Amara Raja to achieve high RoCEs on a sustainable basis at a substantially lower scale than global peers.
- We expect earnings per share (EPS) growth of 3.8% in FY26E and 6.3% in FY27E.
- Our FV of Rs925 is based on 13x December 2027E EPS for the LAB business and 11.5x FY30E EV/EBIT, discounted back to March 2027E, for the LiB business.
- We retain SELL with an unchanged FV of Rs925.

Positives:

- Standalone revenues grew 8% yoy (in-line); 30% yoy growth in the OEM segment.
- Gross margin increased by 330 bps qoq in Q2FY26.

Negatives:

- Adjusted net profit came in at Rs211 cr (- 12.3% yoy), 2% below our estimates.
- We have cut our FY26-28 EPS estimates by 2-7% due to lower revenue growth and EBITDA margin assumptions.

(EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; LiB: Lithium Ion battery; B2B: Business to Business; RoCE: Return on Capital Employed; LAB: Lead Acid Battery; EV: Enterprise Value; EBIT: Earnings Before Interest and Tax; OEM: Original Equipment Manufacturer)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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