



*Presents To You A*

RESEARCH REPORT ON

AMARA  
RAJA BATTERY

**COMPANY NAME**

*Analysed By: Alok Daiya's Trading Desk*

## PROFILE

Amara Raja Batteries Limited is the technology leader and 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, the UPS sector (OEM & Replacement), Indian Railways and to the Power, Oil & Gas, among other industry segments. Amara Raja's industrial battery brands comprise PowerStack, AmaronVolt and Quanta. The Company is a leading manufacturer of automotive batteries under the brands Amaron and Powerzone, which are distributed through a large Pan-India sales & service retail network.

# INVESTMENT RATIONALE

## Recovery in demand

Post the lifting of lockdown, there has been sharp recovery in demand across segments. In Q2FY21, all segments saw growth – 4W OEM (3-4%), 4W Aftermarket (10%), 2W OEM (110%), 2W Aftermarket (15%), and Home Inverter (35%). The Industrial segment grew by 5-6% – Telecom (10%) and UPS (8%).

## Beneficiary of the shift towards the organised segment

We believe that larger players will continue to gain a share as the share of unorganised players is high at 30-40%, particularly in the replacement market.

## Focus on Exports

Currently exports contribute 10% of revenues, the company plans to expand into newer markets in India ocean rim, middle-east and Africa to consolidate its overseas presence.

# INVESTMENT RATIONALE

## Expanding product offerings

The company is focusing on emerging applications in E- Rickshaws and E- Autos. New technology and new partnerships will drive growth in 2W segment We believe as punch-grid technology gains acceptance, the company will continue to gain market share in 2W batteries.

## INDUSTRY

The market for lead-acid battery in India is expected to grow at a CAGR of 8.31% during the forecast period of 2019 – 2024. The country is planning to diversify its energy sources, in addition to its target of providing 24x7 electricity supply to every citizen, by making large increments in renewable energy generation capacities. This is estimated to be a significant driver for the lead-acid battery market.

- The SLI sector accounts for the largest share in the India lead-acid battery market owing to the increasing demand from the automotive sector.
- Growing solar power generation plants in the country are expected to create significant opportunities for India lead-acid battery market in the future.



# KEY MARKET TRENDS

## Increasing Demand from Automobile Sector

- The major fraction of the lead-acid battery market is occupied by the automotive industry. The Automotive (excluding electric vehicles) batteries are mostly SLI batteries, which can also be used for applications like in-vehicle entertainment systems, power steering, power locking, power window systems, etc.
- Over the past few years, India witnessed a tremendous growth in per capita income. This, in turn, improved the level of disposable income. As a result, there has been a sharp increase in the sales of automobiles, particularly of the two- and four-wheeler varieties. This surged the demand for SLI batteries.
- According to the Society of Indian Automobile Manufacturers (SIMA), in India, the total automotive sales witnessed a growth of over 20%, between 2011 and 2018.

# KEY MARKET TRENDS

## Increasing Demand from Automobile Sector

- The automotive sector contributed about 60% to the total turnover of the Indian lead-acid battery market in 2018. The improving automobile sales aided the growth of SLI lead-acid batteries. Two-wheeler vehicles are the primary users of SLI batteries.
- Therefore the growth in the Indian automotive industry is expected to have a direct impact on the growth of lead-acid battery market in the country and thereby driving the market studied over the forecast period.

# FINANCIALS

## Revenue to grow in double digits

The company has delivered revenue growth of 13% CAGR over FY15-19. However, the industry growth has moderated over FY20-21, owing to COVID and other industry-led factors (2W sales down ~18%). While we expect FY21 revenue to decline, sales would revive in FY22, in our view, led by the expected economic recovery. In the medium term, we expect Amara Raja's revenues to grow in double digits, driven by market share gains and expansion into new segments.

## EBITDA—expect encouraging performance to sustain:

Despite a challenging FY20, the company's EBITDA margin expanded to 16.1%, owing to good growth in the replacement segment and a fall in lead prices (-9% YoY in US dollar terms). As margins have sustained in the 14-18% band over the past five years, management continues to guide for profitability to sustain in this range (of 14- 16%) in the near term.



## RISKS & CONCERN

Growth in EV adoption is likely to hamper sales of conventional internal combustion engines (ICE) vehicles, which is expected to hinder the growth.

However, post the COVID outbreak, the adoption of EVs will be delayed, in our view. We believe the adoption of electric mobility will be gradual in India and EVs are at the start-up stage, and the ecosystem will take time to get established in India.

## OUTLOOK & VALUATION

We believe that Amara Raja would continue to gain market share in both OEMs and replacement businesses led by newer technologies and shift towards organised player.

New revenue streams like tower-monitoring systems with demand rebound in telecom and commercial market segments will lead to strong growth in industrial business.



*DIWALI PICK*

**NEXT GENERATION CALL**

**13TH NOVEMBER 2020**



**AMARA RAJA BATTERY**

**CMP 820 TGT 1225 DURATION 2 YRS**



**ALOK DAIYA'S TRADING DESK**



To Know More: 9331111888

# JOIN INDIA'S EMERGING FINANCIAL CLUB TODAY

The image shows a hand holding a smartphone displaying a promotional offer for the '8th Club'. The screen features a dark background with green and orange text and graphics. At the top left, a green tag says 'EXCLUSIVE CHRISTMAS OFFER'. At the top right, a green tag says 'FREE 7 DAY TRIAL'. The main heading is '8th Club' in a large, stylized font, with 'NOW EXCLUSIVELY AT' written below it. The offer details are presented in a grid-like format:

Service	Price	Frequency
LIVE ANALYSIS	1,500/-	per month
RESEARCH CALLS	1,500/-	per month
EXCLUSIVE WEBINARS	1,000/-	per month
	12,000/-	per annum
	12,000/-	per annum
	10,000/-	per annum

Below the grid, the original price is crossed out: ~~₹34000/-~~. The new offer is highlighted in large orange text: **24000/-**, with 'only per annum' written below it. The text 'Get the COMPLETE PACKAGE with FREE EXECUTION now Exclusively at' is written in white above the price. At the bottom, a green banner contains the text: 'TO AVAIL THE EXCLUSIVE 8TH CLUB OFFER, REGISTER TODAY - 9331111888'. Small text below the price indicates '\*terms & conditions applied'.





For more  
details & support,  
reach out to us at:

**9331111888**



**THANK  
YOU!**



Alok Daiya's Trading Desk

