
Amara Raja Energy & Mobility: Steering India Towards a Sustainable Future

Amara Raja Energy & Mobility Ltd, is a company listed on India's stock exchanges, with a market capitalisation of NZ\$5.6 billion. It has grown through innovation and by participation in the rapidly transforming Indian energy landscape. Formerly known as Amara Raja Batteries, the company's strategic rebranding in 2023 to reflect a wider vision underscores its commitment to India's energy transition. As a manufacturer of lead-acid batteries, Amara Raja has ventured into new energy markets while maintaining its incumbent role in India's economy.

Historical Strength and Strategic Evolution

For decades, Amara Raja has been a significant player in the Indian battery sector, with its success being driven by manufacturing of lead-acid batteries, essential for automotive, telecom, railway, and other industrial applications. Operating eight advanced battery manufacturing facilities across India and exporting to over 50 countries, Amara Raja's foothold in global markets is a testament to its product quality and customer relationships.

The rebranding to Amara Raja Energy & Mobility in 2023 marked a significant strategic pivot, signalling a broader ambition to influence India's green energy revolution. This shift expanded the company's focus to include renewable energy storage and sustainable mobility solutions. Amara Raja's expertise in energy storage technologies and manufacturing capabilities position it to capitalise on India's escalating energy demands.

Visionary Investments for a Sustainable Future

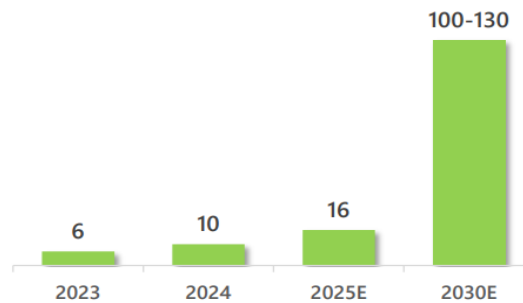
Amara Raja's desire to be a significant player in India's energy transition is evident in its substantial capital expenditure initiatives commenced in 2022, aimed predominantly at amplifying its new energy division. These initiatives focus on developing renewable energy storage solutions and lead recycling, aligning with the company's dedication to sustainability and circular economy principles. These projects harmonize with India's overarching goals of achieving Net Zero emissions by 2070 and establishing itself as a global renewable energy hub.

The Government's 'Make in India' initiative, promoting domestic manufacturing, further augments Amara Raja's prospects. The increasing penetration of personal vehicles and rising commercial vehicle demand due to infrastructural enhancements present opportunities for the company in the automotive battery market.

Pioneering the Lithium-ion Revolution

The recognition by the company that growth should focus on "renewable energy" sources is aligned to the global shift towards electrification. This is likely to result in significant demand for lithium-ion batteries. Amara Raja's established presence and know-how in the industry and market share provides it with a competitive edge amidst significant change and evolution in the sector.

Projected LiB Demand in India (GWh)



Source: Amara Raja Investor Presentation

In a strategic move in June 2024, Amara Raja signed a technical licensing agreement with Gotion High-Tech, a key player in the Chinese battery industry, to manufacture LFP (lithium iron phosphate) cells and spearhead the development of Slovakia’s inaugural LFP battery gigafactory. This collaboration is likely to enhance Amara Raja’s global reach and access to growth in the international lithium-ion battery market. The partnership with Gotion High-Tech allows Amara Raja to leverage expertise and capacity in the lithium-ion value chain.

Investment Appeal and Growth Prospects

With a legacy built on lead-acid batteries and an expanding footprint in the lithium-ion sector, the company is well positioned to leverage the opportunities emerging from India’s energy transition. The escalating demand for energy storage solutions, propelled by mobility electrification and increased renewable energy utilisation, should provide a robust growth trajectory for Amara Raja.

Amara Raja Energy & Mobility (INR)



Source : Yahoo Finance. Graph of stock price, indicating India Avenue Equity Fund initial buy point. Average buy price is Rs.635. Returns calculated are in INR terms.

India Avenue Equity Fund initially purchased shares in the company in June 2023 at a price point of around Rs.635 per share. Over the past 13 months, the stock has performed well relative to the benchmark (MSCI India) return of 43% over the same corresponding period.

Stocks like Amara Raja are typically not owned by foreign investors due to its market cap and liquidity. However, as growth prospects become more evident to the broader market of stockbrokers and investors, it attracts appeal from a broader investment community. At this point the liquidity and valuation of the stocks tends to naturally improve.

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