

BUZZING

STOCK

Amara Raja Batteries Ltd.

CMP – Rs.462

Analyst

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Key Stock Data

Sensex	14218
Nifty	4109
Sector	Electric Equipment
Bloomberg	AMRJ@IN
Reuters	AMAR.BO
No. of shares (m)	11.4
Market Cap (Rs m)	5,267
Market Cap (US\$ m)	119.0
52-week H/L	Rs.462/148

Shareholding Pattern (%)

Promoters	52.00
Mutual Funds	7.17
FII's	3.53
Corporate Bodies	8.77
Pubic & Others	28.53

Amara Raja Batteries Ltd. (ARBL), is on an expansion spree to fulfill the rapidly growing demand for batteries in the domestic market. The company is expanding its capacity to 5.4m units per annum (MUPA) to be duly completed by FY08.

ARBL is one of the major players in the battery industry, catering to industrial and automotive market. In the industrial segment it caters to railway, power & telecom industry. On the other hand in automotive segment, demand is driven by original equipment manufacturer, replacement market and export market. It has strong brands like 'Amaron' being endorsed by brand ambassador "Narain Karthikeyan".

Capacity expansion: ARBL will ramp up its capacity in four phases. In FY07, the company will complete two phases taking the capacity to 3 MUPA from 1.5 MUPA. In FY08, ARBL will complete the other two phases taking the aggregate capacity to 5.4 MUPA. In addition, the company will enhance its capacity of VRLA (Valve Regulated Lead Acid) from 240 AH (Ampere Hour) to 350 AH. The expansion is expected to be completed by FY07.

Capex: The capital expenditure for the expansion plan is spread over four phases to be funded by debt and internal accruals.

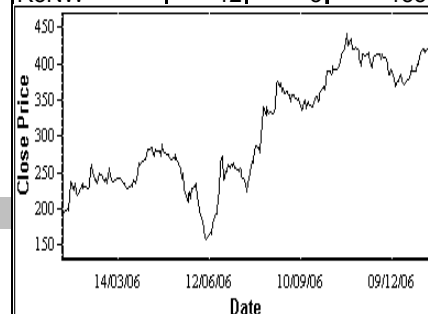
(Phase I (from 1.5 to 2.4 MUPA) - Rs.116m; Phase II (from 2.4 to 3 MUPA) - Rs.380m
Phase III (from 3 to 3.6 MUPA) - Rs.164m; Phase II (from 3.6 to 5.4 MUPA) - Rs.882m
VRLA (from 240 AH to 350 AH) - Rs.107m).

Strong fundamentals: Johnson Controls, that holds 26% stake in the company, provides technological support to ARBL. Alongwith increased capacity; updated technology the company has widely spread over distribution network. ARBL directly caters to consumer through its 135 franchisees, 99 pit stops and 14,000 retailers.

Valuations: In Q2FY06, revenue at Rs.1,320m is up by 52% YoY. PAT at Rs.127m is 178% YoY higher, with EBIDTA margins at 17% increasing by 535bps YoY. The current market price discounts the H1FY07 annualized EPS of 39.2 by 11.7x.

Financial Snapshot

Amar Raja Batteries Ltd.							Ratios (%)			
	Rs.m			Ratios (%)						
Financial Year End: March	Q2 FY06	Q2 FY05	Chg. (%)	FY06	FY05	Chg. (%)		FY05	FY04	Chg.(%)
Net Sales	1,320	871	52	3,624	2,187	66	Debt -Equity	0.2	0.1	45
Other Income	20	16	26	74	63	17	PBIDTM	12.0	10.2	18
Total Income	1,340	887	51	3,698	2,250	64	PBDM	12	10	15
Total Expenditure	1,099	771	42	3,164	1,976	60	RoCE	17	7	150
PBIDT	242	115	109	534	274	95	RoNW	12	5	155
Interest	7	2	289	13	2	793				
PBDT	235	114	106	520	272	91				
Depreciation	41	32	27	147	136	8				
Tax	62	35	78	139	63	121				
Reported Profit After Tax	127	46	178	239	87	175				
Extra -ordinary Items	-	-	-	-	-	-				
Adj. Profit After Extra-ordinary item	127	46	178	239	87	175				
No. of shares (m)	1.13	1.13	-	1.13	1.13	-				
EPS (annualised.) (Rs.)	44.6	16.1	-	20.9	7.6	-				
P/E	10.3	28.7		22.1	60.6					



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