

Scope to lift margins in base business, sizeable foray in new energy space structurally positive...

About the stock: Exide Industries (EIL) is a part of the duopolistic organised Indian lead acid battery market with a presence across automotive & industrial applications. It also has dual presence in Li-On battery space through assembly operations (1.5 GWh, Nexcharge) & Li-On Cell manufacturing venture (12 GWh)

- Segment mix: automotive sales - 70% & industrial application - 30%.

Q3FY24 Performance: Exide reported steady Q3FY24. On standalone basis, Topline for the quarter came in at ₹3,841 crore, up 12.8% YoY. EBITDA in Q3FY24 stood at ₹440 crore with EBITDA margins at 11.5% (down 30 bps QoQ). PAT in Q3FY24 stood at ₹240 crore (up 8% YoY). In the Automotive division, EIL witnessed uptick which was broad-based, with most end-user markets showing signs of demand recovery. While in the industrial segment, EIL benefitted from large investments in sectors such as Renewables, Telecom, Infrastructure (Power, Railways etc)

Investment Thesis: Remains broadly intact

- Good EV proxy play, first movers' advantage to prevail: EIL is the early one to take tangible steps in the new age Li-On battery business by first venturing into a JV with Leclanché SA for setting up of EV battery assembly operations in India. EIL now owns 100% ownership in this venture with assembly capacity of 1.5 GWH and present order book of ₹ 600-700 crore as of FY23. With assembly operations in place, EIL has now ventured into quite essential manufacturing of Li-On cells in technical collaboration with SVOLT with total capex outlay of ~₹6,000 crore for a 12 GWH capacity with 1st phase of 6 GWH slated to be operational in CY25E at a capex outlay of ~₹4,000 crore. With guidance of healthy double-digit margins & capital efficiency to the core we believe it to be structurally positive for EIL.
- Steady Lead Acid battery business, scope for margin improvement: EIL is the industry leader in the Lead Acid battery space which finds application in both automotive and industrial space (including sunrise sectors like renewables, data centre, etc.). With healthy Auto OEM sales in FY22-23, increasing industrial use and export opportunity (China+1 trend), we expect this base business to grow at steady state in near to medium term. EIL continues to be capital efficient in this domain with RoIC's > 20%. Going forward, we have built 10% sales CAGR over FY23-26E. With stable raw material prices, we expect margins to inch up to 12.5% mark by FY26E.

Rating and Target Price

- We assign BUY rating to Exide Industries. We value EIL at SOTP-based target price of ₹ 380 (₹280 for base business at 17x FY26E EPS, ₹70 for investments, stake in subsidiary and 1x FY26E P/S - Li-On Cell sales).



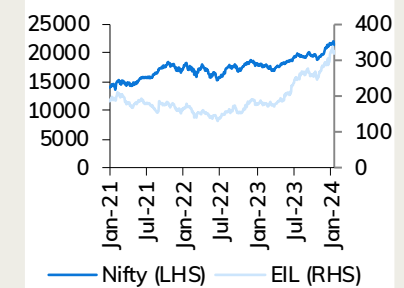
Particulars

Particular	₹ crore
Market Capitalization	26,775
Total Debt (FY23)	0
Cash & Inv. (FY23)	628
EV (₹ Crore)	26,147
52 week H/L (₹)	342 / 170
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	46.0	46.0	46.0	46.0
FII	12.3	12.9	12.8	12.9
DII	18.9	19.8	19.1	19.2
Other	22.8	21.4	22.2	21.8

Price Chart



Recent event & key risks

- Posted steady Q3FY24 results. Capex on Li-On cell facility progressing well with ~₹1820 crore equity invested till date
- Key Risk: (i) slower than anticipated ramp up of new Li-On cell plant (ii) adverse RM prices limiting margin recovery in base battery business

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Key Financial Summary

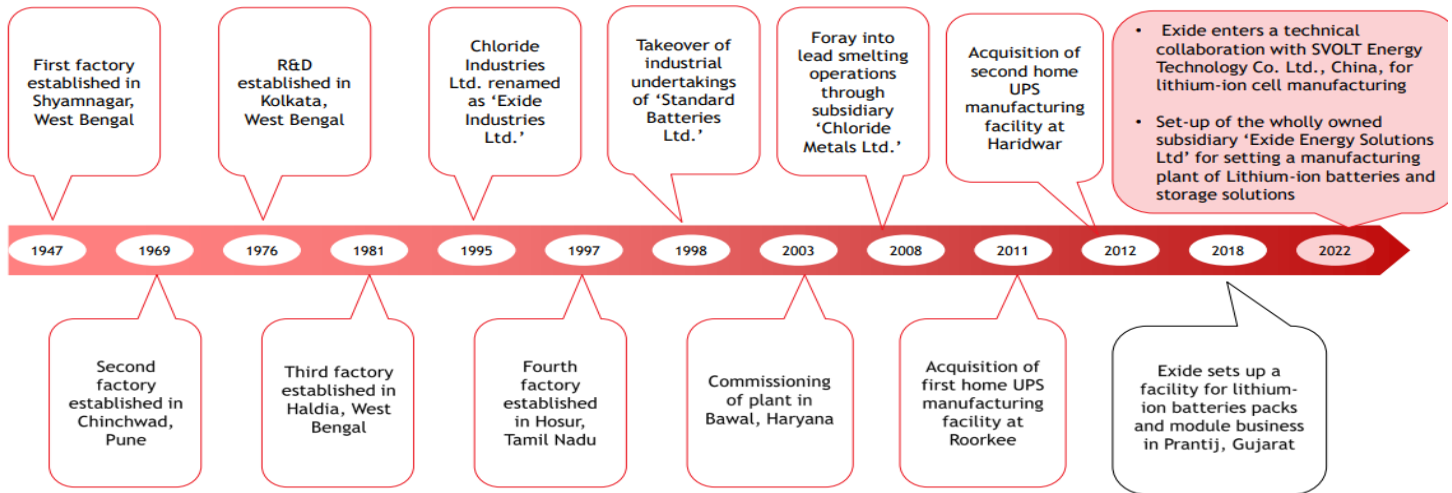
Key Financials	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	10,588.3	9,856.7	10,040.8	12,410.1	14,591.9	9.6%	16,133.3	17,691.4	19,381.6	9.9%
EBITDA	1,411.3	1,365.0	1,355.6	1,398.3	1,568.0	4.8%	1,850.8	2,175.7	2,432.0	15.8%
EBITDA Margins (%)	13.3	13.8	13.5	11.3	10.7		11.5	12.3	12.5	
Net Profit	844.0	825.5	758.2	4,684.3	903.6	NA	1,048.4	1,216.3	1,393.4	15.5%
EPS (₹)	9.9	9.7	8.9	55.1	10.6		12.3	14.3	16.4	
Adjusted Net Profit	770.3	842.8	758.2	840.3	903.6	5.4%	1,048.4	1,216.3	1,393.4	15.5%
Adjusted EPS (₹)	9.1	9.9	8.9	9.9	10.6	5.4%	12.3	14.3	16.4	15.5%
P/E	31.7	32.4	35.3	5.7	29.6		25.5	22.0	19.2	
RoCE (%)	17.8	15.7	14.0	9.3	9.9		10.7	11.4	12.2	
RoIC (%)	19.7	16.9	16.8	24.0	23.7		31.1	36.0	37.8	

Source: Company, ICICI Direct Research; PI note: We have not amalgamated numbers from its new Li-On cell manufacturing facility in FY26E and continue to value this venture separately

Company Background

- Exide Industries (EIL) is a part of the duopolistic organized Indian lead acid battery market with 95,000+ dealership count as of FY23 & presence across automotive (~70% of sales) & industrial applications (~30% of sales). EIL with an operational history of ~75+ years in India with 10 manufacturing plants and presence in 60+ countries. It produced ~65 million automotive batteries in FY23 & ~5.8 billion AH of industrial power supply. Within Industrial segment company caters to various applications like solar power storage system, telecom, railways, I-UPS, data centres etc.

Exhibit 1: EIL Journey along the years



Source: Company, ICICI Direct Research

Exhibit 2: Current presence in Li-On space (battery assembly, cell manufacturing)

<p>A Exide Energy Private Limited</p>	<ul style="list-style-type: none"> Started in 2018, now a wholly owned subsidiary for pack and module business, earlier was a JV between Exide and Leclanché SA of Switzerland Capacity: 1.5 GWh, located in auto hub of Gujarat Develops and manufactures Li-ion-based modules and packs with Battery Management Systems (BMS) for e-mobility (EV) and stationary power application 	<p>Technical collaboration with SVolt</p> <ul style="list-style-type: none"> Multi-year technical collaboration for li-ion cell manufacturing Support for setting the plant on a turnkey basis
<p>B Exide Energy Solutions Limited</p>	<ul style="list-style-type: none"> Wholly owned subsidiary set-up for lithium-ion cell manufacturing Total project capacity 12 GWh and project cost of Rs.6,000 crore to be completed in 2 phases Engaged in the manufacturing of advanced chemistry cells (cylindrical, pouch, prismatic). Also engaged in manufacturing, assembly and sale of battery modules and battery packs 	

Source: Company, ICICI Direct Research

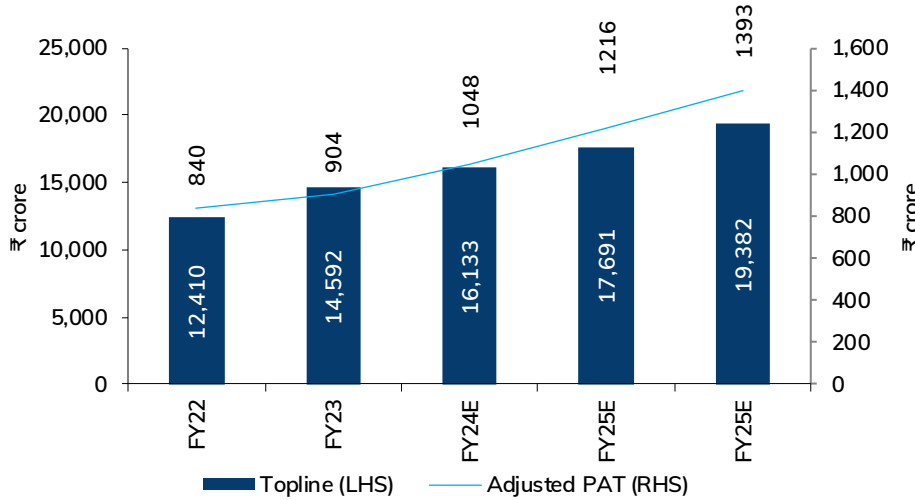
Exhibit 3: Nexcharge Product portfolio



Source: Company, ICICI Direct Research

Key financial charts

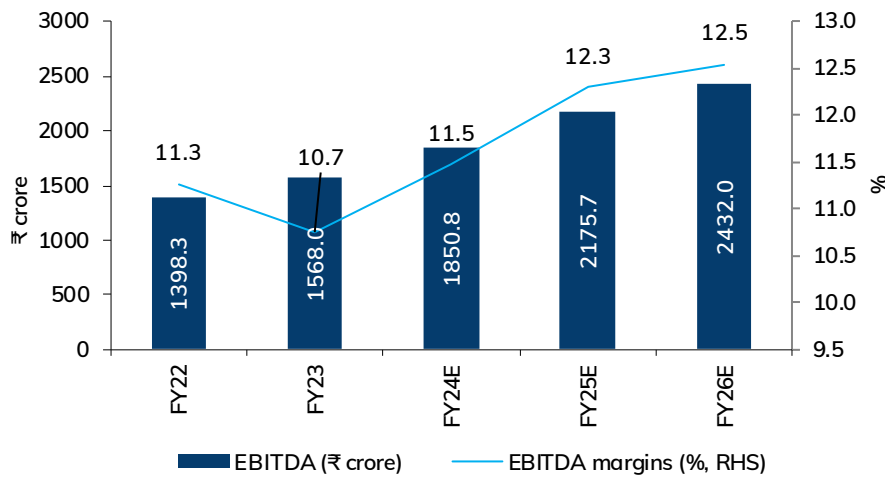
Exhibit 4: Trend in topline and Adjusted PAT



EIL revenues, PAT are seen growing at 10%, 15%, CAGR respectively, over FY23-26E. Topline growth is supported by healthy OEM sales over FY22-23 driving replacement demand in FY25-26E, increasing thrust on exports & increasing application on the industrial side

Source: Company, ICICI Direct Research

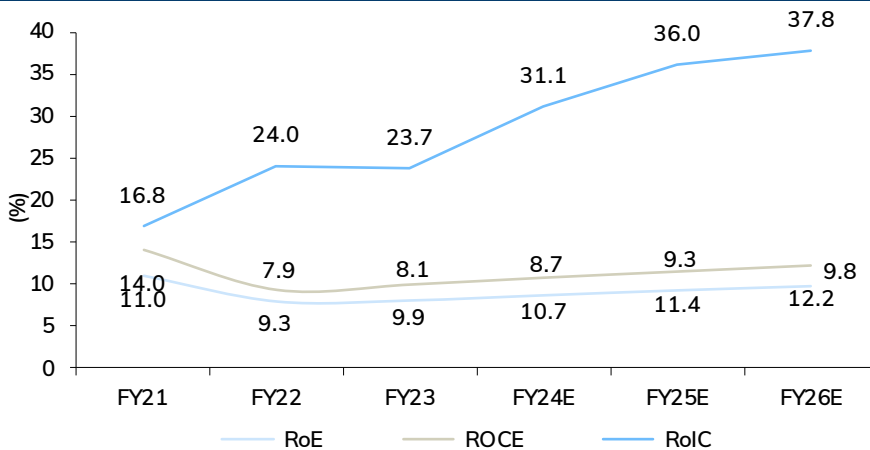
Exhibit 5: Trend in EBITDA margins



EBITDA at EIL is seen growing 16% CAGR over FY23-26E led by double digit topline growth, scope for better pricing in the replacement market and operating leverage led scope for margin gains. Margins at EIL are seen rising to 12.5% by FY26E vs. ~11% currently.

Source: Company, ICICI Direct Research

Exhibit 6: Trend in Return ratios



EIL has a capital efficient business with its core RoI seen surpassing ~30% levels starting FY24E

Source: Company, ICICI Direct Research

Valuation Outlook

- We have a positive view on Exide Industries and assign BUY rating to the stock. We like EIL amidst its firm commitment to new age Li-On battery space (cell manufacturing plant + battery assembly operations); steady state lead acid battery business & healthy B/S to fund upcoming capex requirements (cushioned through stake in HDFC Life worth ~₹ 5,220 crore)
- We value EIL at SOTP-based target price of ₹ 380 (₹ 280 for base business at 17x FY26E EPS, ₹ 70 for investments, stake in subsidiary and 1x P/S on expected sales from new Li-On Cell plant in FY26E).

Exhibit 7: SOTP-based valuation

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
FY26E EPS	16.4		Valuing the base business (lead acid battery) at 17x P/E
P/E Multiple	17		
Value per share (₹, A)		280	
Long Term Investments			
HDFC Life Insurance Stake (₹ crore)	5,220		Using current market price of ₹600/share
Value per share (₹, B)		60	
Value of other subsidiaries (₹ crore)	729		
Value of other subsidiaries (₹, C)		10	1x trailing P/BV
Value of Li-On Cell Venture (₹ crore)	2,520		1x P/S on FY26E
Value per share (₹, D)		30	
SoTP based target price (A+B+C+D)		380	

Source: ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Total operating Income	14591.9	16133.3	17691.4	19381.6
Growth (%)	17.6	10.6	9.7	9.6
Raw Material Expenses	10198.7	11214.5	12180.9	13344.6
Employee Expenses	872.0	986.9	1079.2	1182.3
Other Expenses	1953.3	2081.1	2255.7	2422.7
Total Operating Expenditure	13023.9	14282.5	15515.7	16949.6
EBITDA	1,568.0	1,850.8	2,175.7	2,432.0
Growth (%)	12.1	18.0	17.6	11.8
Depreciation	455.8	500.1	557.3	610.5
Interest	29.5	50.0	100.0	70.0
Other Income	132.4	100.6	107.7	111.3
PBT	1,215.1	1,401.3	1,626.1	1,862.8
Exceptional Item	0.0	0.0	0.0	0.0
Total Tax	311.5	352.8	409.8	469.4
Reported PAT	903.6	1,048.4	1,216.3	1,393.4
Growth (%)	-80.7	16.0	16.0	14.6
EPS (₹)	10.6	12.3	14.3	16.4

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax (adjusted)	903.6	1048.4	1216.3	1393.4
Add: Depreciation	455.8	500.1	557.3	610.5
(Inc)/dec in Current Assets	-581.3	-622.5	-493.5	-535.3
Inc/(dec) in CL and Provisions	83.4	359.7	276.1	299.5
CF from operating activities	861.5	1,285.8	1,556.2	1,768.1
(Inc)/dec in Investments	149.4	150.0	0.0	0.0
(Inc)/dec in Fixed Assets	-331.0	-2000.0	-2000.0	-1000.0
Others	-464.9	259.2	209.0	-192.8
CF from investing activities	(646.5)	(1,590.8)	(1,791.0)	(1,192.8)
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-170.0	-170.0	-170.0	-255.0
Others	-132.0	500.0	500.0	-300.0
CF from financing activities	(302.0)	330.0	330.0	(555.0)
Net Cash flow	-87.0	25.0	95.2	20.3
Opening Cash	161.5	74.5	99.5	194.7
Closing Cash	74.5	99.5	194.7	215.0

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Liabilities				
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	11,124.8	12,003.3	13,049.5	14,187.9
Total Shareholders funds	11,209.8	12,088.3	13,134.5	14,272.9
Total Debt	0.0	500.0	1,000.0	700.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other non-current liabilities	342.1	377.1	412.1	447.1
Total Liabilities	11,551.9	12,965.4	14,546.7	15,420.0
Assets				
Gross Block	5,338.3	5,239.2	5,739.2	6,439.2
Less: Acc Depreciation	2,513.8	3,013.9	3,571.2	4,181.7
Net Block	2,824.5	2,225.3	2,168.0	2,257.5
Capital WIP	100.9	2,200.0	3,700.0	4,000.0
Total Fixed Assets	2,925.4	4,425.3	5,868.0	6,257.5
Investments	6,367.4	5,972.4	5,777.4	5,982.4
Inventory	2,989.1	3,315.1	3,635.2	3,982.5
Debtors	1,274.1	1,547.0	1,696.4	1,858.5
Loans and Advances	42.2	46.7	51.2	56.1
Cash	74.5	99.5	194.7	215.0
Total Current Assets	4,561.5	5,209.0	5,797.6	6,353.2
Creditors	1,525.9	1,768.0	1,938.8	2,124.0
Provisions	280.1	324.5	355.9	389.9
Total Current Liabilities	2,499.2	2,858.9	3,135.0	3,434.5
Net Current Assets	2,062.3	2,350.1	2,662.6	2,918.7
Other non-current assets	197.1	217.9	238.9	261.7
Total Assets	11,551.9	12,965.4	14,546.7	15,420.0

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
Per share data (₹)				
EPS	10.6	12.3	14.3	16.4
Cash EPS	16.0	18.2	20.9	23.6
BV	131.9	142.2	154.5	167.9
DPS	2.0	2.0	2.0	3.0
Cash Per Share	0.9	1.2	2.3	2.5
Operating Ratios (%)				
EBITDA Margin	10.7	11.5	12.3	12.5
PBT / Net sales	7.6	8.4	9.1	9.4
PAT Margin	6.2	6.5	6.9	7.2
Inventory days	74.8	75.0	75.0	75.0
Debtor days	31.9	35.0	35.0	35.0
Creditor days	38.2	40.0	40.0	40.0
Return Ratios (%)				
RoE	8.1	8.7	9.3	9.8
RoCE	9.9	10.7	11.4	12.2
RoIC	23.7	31.1	36.0	37.8
Valuation Ratios (x)				
P/E	29.6	25.5	22.0	19.2
EV / EBITDA	16.7	14.5	12.5	11.0
EV / Net Sales	1.8	1.7	1.5	1.4
Market Cap / Sales	1.8	1.7	1.5	1.4
Price to Book Value	2.4	2.2	2.0	1.9
Solvency Ratios				
Debt: Equity	-	0.0	0.1	0.0
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is SEBI registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.