

India

**ADD** (no change)

Consensus ratings\*: Buy 12 Hold 6 Sell 2

Current price:	Rs251
Target price:	Rs294
Previous target:	Rs225
Up/downside:	17.1%
InCred Research / Consensus:	25.5%
Reuters:	
Bloomberg:	EXID IN
Market cap:	US\$2,940m Rs213,478m
Average daily turnover:	US\$9.1m Rs659.7m
Current shares o/s:	850.0m
Free float:	54.0%

\*Source: Bloomberg

**Key changes in this note**

- Sales raised by ~1% for FY24F-25F.
- EBITDA raised by 1-3% for FY24F-25F.
- EPS raised by 1-4% for FY24F-25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.1	28.2	58.5
Relative (%)	5.8	18.5	37.9

Major shareholders	% held
Raheja Family	46.0
LIC	4.3
Kotak Mahindra Mutual Fund	3.9

**Analyst(s)**



**Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredcapital.com

# Exide Industries Ltd

## In-line 1Q EBITDA performance

- 1QFY24 EBITDA growth of Exide Industries at 12% yoy was in line with expectation while the EPS miss of 9% was because of lower other income.
- Strong sales momentum in the industrial segment and new export initiatives, aided by benign lead prices, resulted in our 1-4% EPS upgrade.
- Raise target P/E to 14x for the improving market share trend. Retain ADD rating on the stock for its comfortable valuation at -1SD below the mean level.

### 1QFY24 EBITDA performance in line with our expectation

1QFY24 EBITDA of Exide Industries rose 12% yoy and 18% qoq to Rs4.3bn, in line with our estimate. The 30bp qoq EBITDA margin expansion was driven by lower manufacturing expenses while raw material cost spiked 160bp qoq. However, the sharp decline in other income (40% yoy) led to a just 7% yoy rise in net profit to Rs2.4bn, 9% below our estimate.

### FY23 annual report highlights

Management talked about market share gain in the automotive OEM and replacement segments in FY23, which it plans to sustain with new product launches and digital initiatives. The expansion of punch grid technology batteries to the two-wheeler or 2W segment has been planned in FY24F. New market expansion and new products for exports to developed markets has also been planned to revive exports. Management indicated that the company's lithium-ion cell-making project is on course for commissioning by the end of FY25F while the Rs7bn battery order book will be executed in the next five-to-six quarters.

### EPS estimates raised by 1-4% for FY24F-25F

The slow sales growth is still a challenge because of weakness in exports and slow recovery in 2W demand. The export initiatives such as product and geography expansion, we believe, may yield results in the coming quarters. Stable lead prices should help a gradual EBITDA margin recovery in the coming quarters, leading to our 1-3% EBITDA upgrade for FY24F-25F. This also leads to EPS upgrade of 1-4% for FY24F-25F.

### We raise target P/E & retain ADD rating with a higher TP of Rs294

The recent stock price performance has gradually lifted forward P/E to -1SD below the mean level, which is still attractive. Considering the management's actions helping to gain market share in the automotive OEM and replacement segments, we raise our target P/E to 14x from 12x one-year forward, leading to a higher sum-of-the-parts or SOTP-based target price of Rs294 from Rs225 earlier. We retain our ADD rating on it as the company prepares to commission its lithium-ion cell-making facility by the end of FY25F. Key downside risk is the delay in securing big orders for its lithium-ion cell plant.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	123,817	145,919	165,933	183,951	202,585
Operating EBITDA (Rsm)	13,956	15,681	19,570	22,882	25,234
Net Profit (Rsm)	7,158	9,037	11,779	14,017	15,734
Core EPS (Rs)	8.4	10.6	13.9	16.5	18.5
Core EPS Growth	(5.6%)	26.3%	30.3%	19.0%	12.2%
FD Core P/E (x)	29.82	23.62	18.12	15.23	13.57
DPS (Rs)	5.0	6.0	7.0	8.5	9.5
Dividend Yield	1.99%	2.39%	2.79%	3.38%	3.78%
EV/EBITDA (x)	10.85	9.52	7.31	6.01	5.22
P/FCFE (x)	53.90	51.46	29.70	27.71	24.25
Net Gearing	(1.5%)	(0.7%)	(1.7%)	(2.0%)	(2.5%)
P/BV (x)	2.01	1.90	1.81	1.71	1.61
ROE	8.2%	8.3%	10.2%	11.6%	12.2%
% Change In Core EPS Estimates			0.52%	3.65%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## In-line 1Q EBITDA performance

### Exide Industries' FY23 annual report highlights ►

**Outlook:** The company plans to enhance its product portfolio and reinforce its position in the domestic market. Additionally, it has set sights on expanding the reach in established global markets while also exploring the possibilities to foray into new, untapped countries. The company is setting up a lithium-ion cell manufacturing factory characterized by its multi-gigawatt, multi-chemistry and multi-format capabilities (incurred Rs13bn capex in the last three years).

- The rising preference for personal mobility and government initiatives will drive vehicle sales and subsequently, the demand for lead acid batteries.
- In the industrial division, several downstream sectors are expected to receive huge investments from both the public and private sectors (such as IUPS, solar, telecom, traction, railways, etc.).
- Introduced/upgraded Exide Idle Stop Start (ISS) batteries, Enhanced Flooded Batteries (EFB) and Eko Ultra batteries for the automotive sector. New products like Exide NXT and rooftop solar solutions introduced for the industrial sector.
- Development at the prototype level for AGM VRLA batteries for passenger vehicles has been completed. The company plans to introduce these batteries on a commercial scale next year.
- Punched plate technology, which saw great success in four-wheeler batteries, is in advanced stages for introduction in two-wheeler batteries as well.
- Launched compact, high-performance sealed batteries to capitalize on the rising demand from the telecom sector due to 5G rollout. Introduced traction batteries with advanced technologies, which have a 50% extra life cycle and warranty life of three years.
- Increased the distribution outlets to 95,000 across India vs. 70,000 in FY22.
- The export market is growing for vehicles manufactured in India. The China +1 strategy is expected to lead the shift towards Indian exports, thereby enabling India to potentially increase its share in global auto trade in the next few years.
- Moderation in demand from western countries and anti-dumping duty in GCC countries impacted auto exports in FY23. The company has identified fresh opportunities and is expanding into new markets such as Russia. Also, the strategic presence in Southeast Asia has allowed the company to capitalize on growth opportunities in the region. The company is developing new battery models, specifically for the developed markets, while the AGM range is expected to gain traction in developing countries.
- **Submarine:** Manufacturing and ensuring meticulous upkeep and maintenance of high-grade batteries with a high capacity of 20,200 Ah, specifically made for submarines. The company is a preferred submarine battery supplier for the Indian Navy, and also exports these critical defence products.
- **EV industry:** The industry is expected to achieve a milestone of 10m in annual sales. 2Ws and 3Ws are projected to exhibit the highest penetration of close to 50%-60% of electric vehicles or EVs by 2030F. Lithium-ion batteries by 2030F are estimated to be around 150 GWh (likely 70:30 split between the automobile and industrial sectors).
- **Exide Energy Private Limited:** Secured orders worth around Rs7bn for lithium-ion packs and modules in FY23 and has already made a head start in setting up the country's single site multi giga-watt lithium-ion cell manufacturing factory in Karnataka. The company expects the phase-1 to be completed by the end of next year.
- **Nexcharge:** The current capacity is 1.5GWh and the ~Rs7bn order book to be executed in the next 12-15 months comprises orders from 2W, 3W, commercial vehicle or CV and telecom segments. In FY23, the company invested Rs250m

through the issue of 0.01% Compulsorily Convertible Preference Shares (CCPS).

- **Exide Energy Solutions Limited (EESL):** The proposed investment of Rs60bn over the next 8-10 years (in two phases) for the lithium-ion cell manufacturing facility of 12GWh total capacity. Invested a sum of ~7.15bn.
- **Chloride Metals Limited (CML):** The total installed capacity of CML is 2,52,000t a year. During the year, the company invested Rs570m for setting up a greenfield project at SUPA in Maharashtra.

### Industry trends from the annual report of Amara Raja Batteries ➤

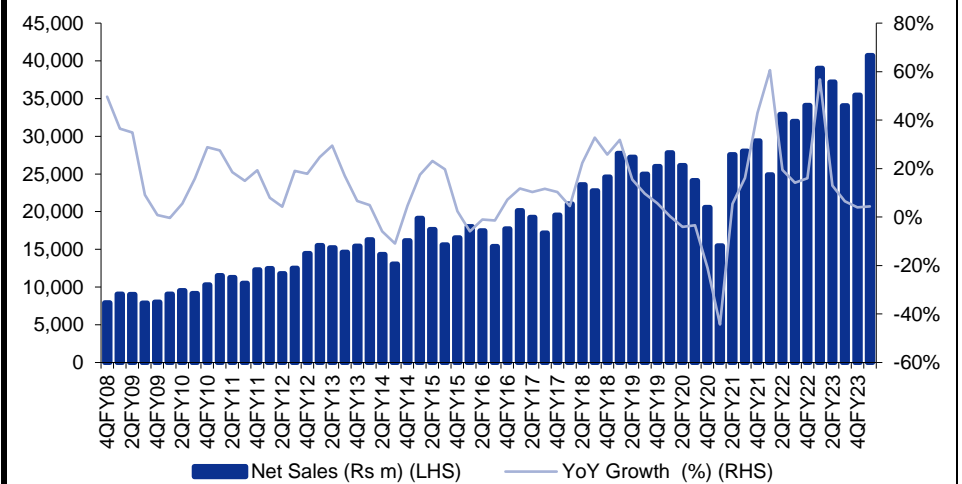
- Management anticipates a rise in demand for auxiliary batteries (LAB) for EVs led by adoption of technologies like EFB, and AGM. Growth in sectors like manufacturing, healthcare, and e-commerce to drive the demand for UPS batteries. Data centres are projected to grow from 950MW installed capacity to 2000MW by 2025F. The telecom sector witnessed robust demand, driven by the installation of new 5G towers and upgrade of 3G/4G networks. Management stated that lead acid batteries are here to stay, despite the rising buzz around electric vehicles and alternate energy.
- The industrial battery division registered a 20% growth. The first two quarters were challenging owing to elevated commodity prices and operational costs. The second-half of the year was better as the challenges were addressed with right preparation.
- **Telecom:** India's telecom network growth should also continue in the current fiscal (FY24F). Hence, demand from the telecom sector is expected to continue at a healthy pace. Though the conversion to lithium-ion batteries is accelerating, the potential for lead acid batteries should continue - driven by new 5G projects. 5G growth is expected to be 690m by 2028F, accounting for 50% of mobile subscribers.
- **Uninterrupted power supply or UPS:** The potential is expected to grow by about 5-8%. Though many new data centres are expected to go with lithium-ion batteries, the overall potential of lead acid batteries remains considerably attractive. ARBL is working on new, improved version of MVRLA batteries to meet the new-age requirements like data centres, high wattage requirements etc., apart from new-age lithium-ion solutions.
- India has around 127 data centres. The data centre market in the country is valued at US\$4.35bn and is predicted to reach US\$10.09bn by 2027F.
- **Battery energy storage systems:** This market has been emerging and is promising in the industrial and commercial segments in the last few years, particularly with massive renewable energy penetration.
- **International markets:** Witnessed robust demand in the Middle East and Africa (MEA) and Asia-Pacific (APAC). Aims to expand the presence in the African MVLRA market.
- The 'Amara Raja Giga Corridor' project, with an investment of approximately Rs95bn, aims to produce lithium cells and battery packs with capacities of up to 16GWh and 5GWh, respectively.

Figure 1: Quarterly results comparison

FYE Mar (Rs m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg	Comments for the quarter
Revenue	40,726	38,994	4.4	35,430	14.9	1.5% below our estimate.
Raw Materials	29,220	28,111	3.9	24,857	17.6	
RM as % of revenue	71.7	72.1	(34.4)	70.2	159.0	175bp above our estimate.
EBITDA	4,322	3,866	11.8	3,672	17.7	1% above our estimate led by lower other expenses.
<b>EBITDA margin (%)</b>	<b>10.6</b>	<b>9.9</b>	<b>69.6</b>	<b>10.4</b>	<b>24.8</b>	30bp above our estimate.
Deprn & amort.	1,194	1,091	9.5	1,193	0.1	
EBIT	3,128	2,776	12.7	2,479	26.2	
Interest expense	98	64	53.5	83	17.5	
Other Income	192	322	(40.3)	412	(53.4)	52% below our estimate
Pretax profit	3,222	3,034	6.2	2,808	14.7	
Tax	803	771	4.2	730	10.0	
Tax rate (%)	24.9	25.4	(48)	26.0	(108.5)	
<b>Normalised Net profit</b>	<b>2,419</b>	<b>2,263</b>	<b>6.9</b>	<b>2,078</b>	<b>16.4</b>	9% below our estimate led by lower other income.
Reported net profit	2,419	2,263	6.9	2,078	16.4	
Normalised EPS (Rs)	2.8	2.7	6.9	2.4	16.4	
Reported EPS (Rs)	2.8	2.7	6.9	2.4	16.4	

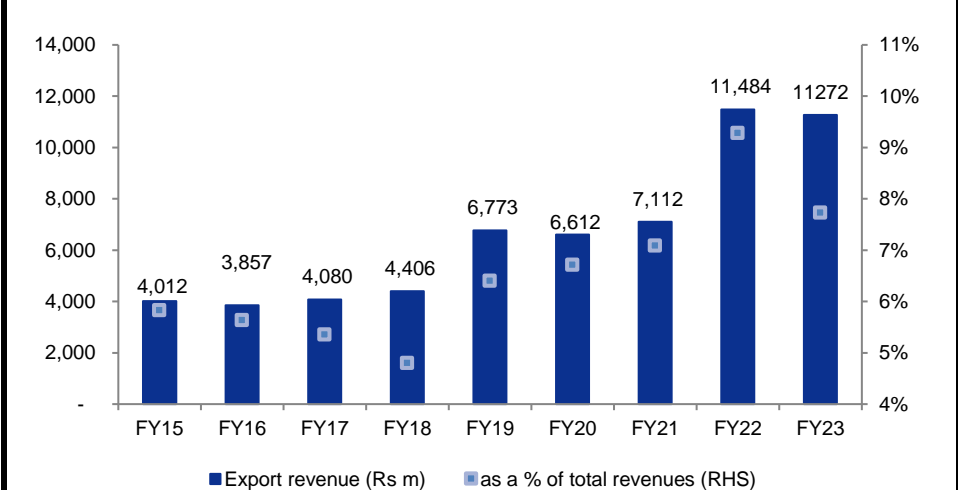
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Sales growth is still muted



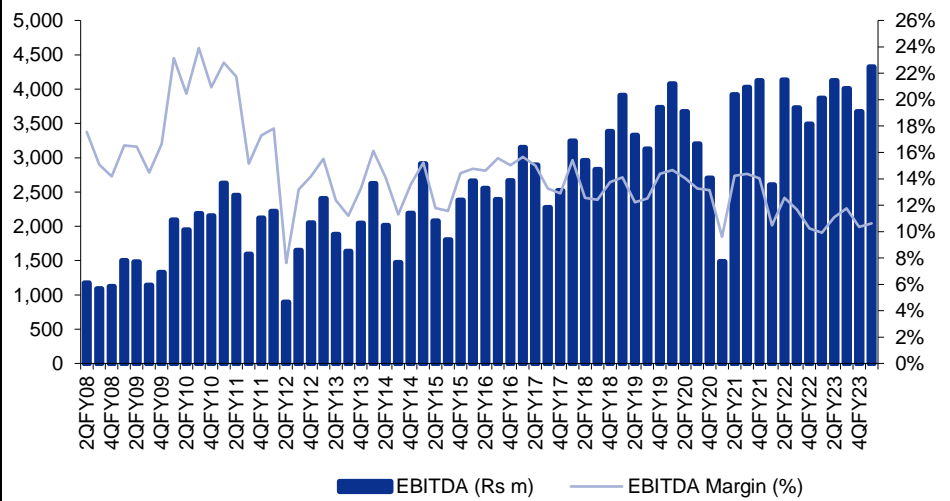
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: New geography expansion to drive export growth



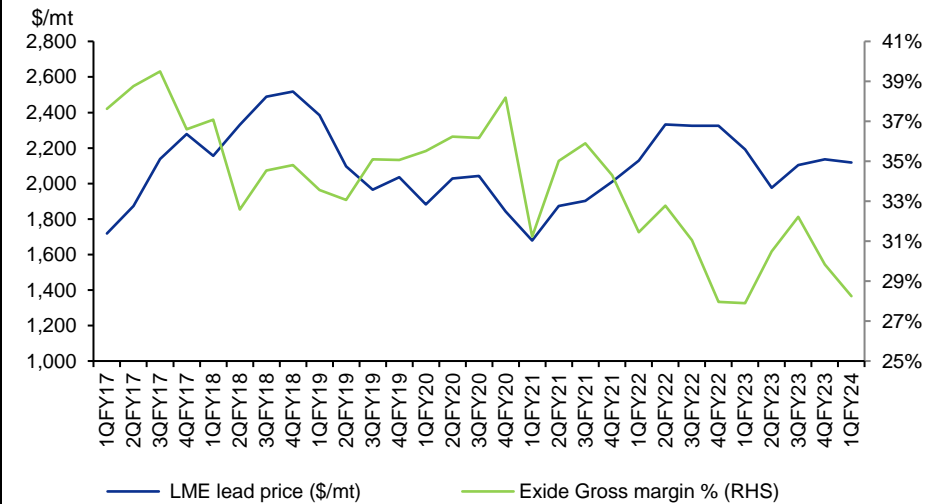
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin stabilizes



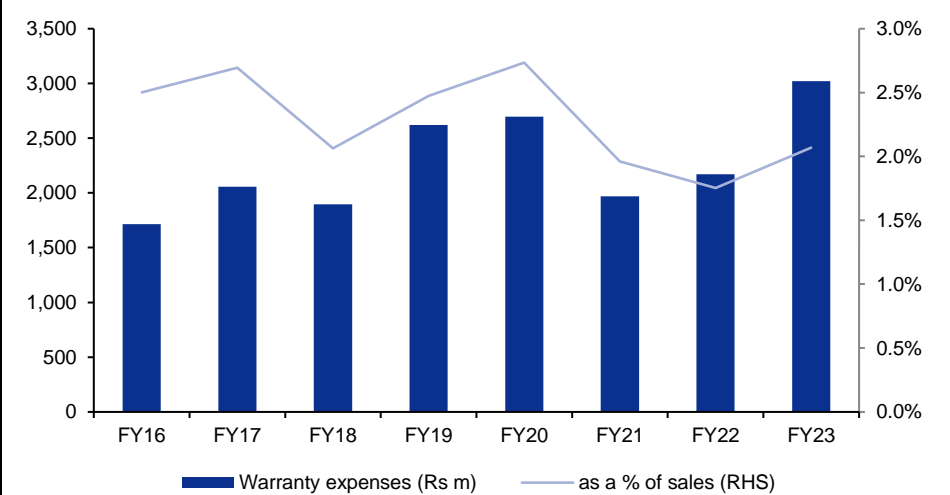
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Stable lead prices should help Exide Industries' gross margin recovery



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Warranty expenses under control



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Revised earnings estimates summary

Rs m	FY24F		FY25F	
	Old	New	Old	New
Net Sales	1,65,834	1,65,933	1,81,184	1,83,951
Change (%)		0.1%		1.5%
EBITDA	19,423	19,570	22,254	22,882
Change (%)		0.8%		2.8%
EBITDA Margins	11.7%	11.8%	12.3%	12.4%
Change (bp)		8		16
PAT	11,718	11,779	13,524	14,017
Change (%)		0.5%		3.6%
EPS (Rs)	13.79	13.86	15.91	16.49
Change (%)		0.5%		3.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Key assumptions

	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
<b>Gross Revenues</b>							
4W OEM	8,394	8,801	11,224	14,709	16,803	18,761	20,946
% Growth	-23%	5%	28%	31%	14%	12%	12%
4W Replacement	35,015	41,199	52,602	59,651	66,970	74,458	82,782
% Growth	2%	18%	28%	13%	12%	11%	11%
2W OEM	7,599	7,725	8,167	9,173	10,292	11,492	12,830
% Growth	-22%	2%	6%	12%	12%	12%	12%
2W Replacement	13,828	16,123	19,864	22,317	24,247	25,959	27,792
% Growth	5%	17%	23%	12%	9%	7%	7%
<b>Total Auto</b>	<b>64,835</b>	<b>73,848</b>	<b>91,858</b>	<b>1,05,850</b>	<b>1,18,313</b>	<b>1,30,669</b>	<b>1,44,350</b>
% Growth	-5%	14%	24%	15%	12%	10%	10%
<b>Industrial</b>	<b>33,677</b>	<b>26,436</b>	<b>31,826</b>	<b>39,398</b>	<b>46,870</b>	<b>52,382</b>	<b>57,235</b>
% Growth	-10%	-22%	20%	24%	19%	12%	9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: SOTP-based target price

	Methodology	Amount in Rs m	Per share	Value per share (Rs)
Core battery business	14x 1 year forward P/E		17.15	240
Holding in HDFC Life	Value post 20% holding discount	45,948	54.1	54.1
<b>SOTP Value of Exide Industries</b>				<b>294</b>

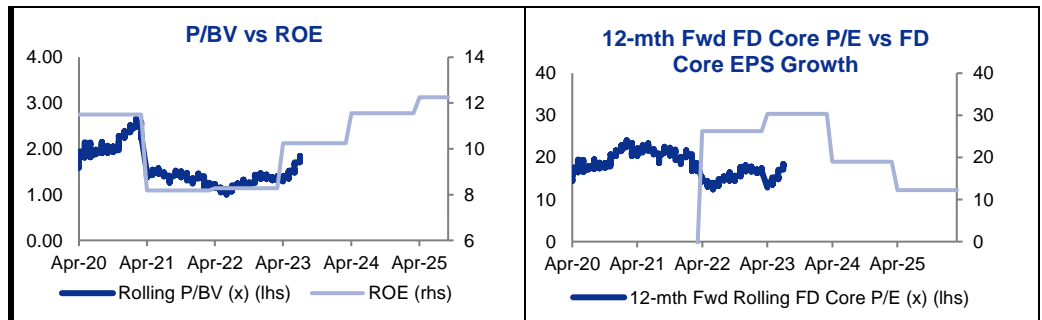
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Forward P/E valuation still at a comfortable level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>123,817</b>	<b>145,919</b>	<b>165,933</b>	<b>183,951</b>	<b>202,585</b>
<b>Gross Profit</b>	<b>38,065</b>	<b>43,933</b>	<b>52,069</b>	<b>60,504</b>	<b>67,058</b>
<b>Operating EBITDA</b>	<b>13,956</b>	<b>15,681</b>	<b>19,570</b>	<b>22,882</b>	<b>25,234</b>
Depreciation And Amortisation	(4,126)	(4,558)	(5,254)	(5,734)	(6,262)
<b>Operating EBIT</b>	<b>9,830</b>	<b>11,123</b>	<b>14,316</b>	<b>17,147</b>	<b>18,972</b>
Financial Income/(Expense)	(384)	(295)	(300)	(335)	(300)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	803	1,324	1,483	1,631	1,762
<b>Profit Before Tax (pre-EI)</b>	<b>10,249</b>	<b>12,152</b>	<b>15,499</b>	<b>18,443</b>	<b>20,434</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>10,249</b>	<b>12,152</b>	<b>15,499</b>	<b>18,443</b>	<b>20,434</b>
Taxation	(3,091)	(3,115)	(3,720)	(4,426)	(4,700)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>7,158</b>	<b>9,037</b>	<b>11,779</b>	<b>14,017</b>	<b>15,734</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>7,158</b>	<b>9,037</b>	<b>11,779</b>	<b>14,017</b>	<b>15,734</b>
Recurring Net Profit	7,158	9,037	11,779	14,017	15,734
<b>Fully Diluted Recurring Net Profit</b>	<b>7,158</b>	<b>9,037</b>	<b>11,779</b>	<b>14,017</b>	<b>15,734</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>13,956</b>	<b>15,681</b>	<b>19,570</b>	<b>22,882</b>	<b>25,234</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,480)	(6,941)	(1,820)	(2,151)	(3,165)
(Incr)/Decr in Total Provisions	1,189	2,125	370	485	520
Other Non-Cash (Income)/Expense	(979)	(454)			
Other Operating Cashflow	39,678				
Net Interest (Paid)/Received	419	1,029	1,183	1,296	1,462
Tax Paid	(3,466)	(3,237)	(3,410)	(4,058)	(4,495)
<b>Cashflow From Operations</b>	<b>46,316</b>	<b>8,203</b>	<b>15,894</b>	<b>18,454</b>	<b>19,555</b>
Capex	(6,543)	(2,930)	(3,456)	(5,500)	(5,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/Investments	(35,813)	(1,125)	(5,250)	(5,250)	(5,250)
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(42,355)</b>	<b>(4,054)</b>	<b>(8,706)</b>	<b>(10,750)</b>	<b>(10,750)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(4,250)	(5,100)	(5,950)	(7,225)	(8,075)
Preferred Dividends					
Other Financing Cashflow	988	84	(22)	50	50
<b>Cash Flow From Financing</b>	<b>(3,262)</b>	<b>(5,016)</b>	<b>(5,972)</b>	<b>(7,175)</b>	<b>(8,025)</b>
Total Cash Generated	699	(867)	1,215	529	780
<b>Free Cashflow To Equity</b>	<b>3,961</b>	<b>4,149</b>	<b>7,188</b>	<b>7,704</b>	<b>8,805</b>
<b>Free Cashflow To Firm</b>	<b>4,345</b>	<b>4,444</b>	<b>7,488</b>	<b>8,039</b>	<b>9,105</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	1,612	745	1,960	2,489	3,269
Total Debtors	13,115	13,662	16,657	17,527	18,806
Inventories	24,585	29,891	32,732	35,278	39,407
Total Other Current Assets	1,962	2,128	2,400	2,600	2,800
<b>Total Current Assets</b>	<b>41,273</b>	<b>46,425</b>	<b>53,749</b>	<b>57,894</b>	<b>64,282</b>
Fixed Assets	31,140	28,468	27,714	27,479	26,717
Total Investments	60,434	63,414	68,414	73,414	78,414
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>91,574</b>	<b>91,881</b>	<b>96,127</b>	<b>100,893</b>	<b>105,131</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	16,175	15,360	19,094	20,159	22,201
Other Current Liabilities	8,009	9,670	10,154	10,662	11,195
<b>Total Current Liabilities</b>	<b>24,185</b>	<b>25,030</b>	<b>29,248</b>	<b>30,821</b>	<b>33,396</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	2,607	2,223	2,702	3,248	3,639
<b>Total Liabilities</b>	<b>26,792</b>	<b>27,253</b>	<b>31,949</b>	<b>34,069</b>	<b>37,035</b>
Shareholders Equity	106,056	112,098	117,926	124,719	132,377
Minority Interests					
<b>Total Equity</b>	<b>106,056</b>	<b>112,098</b>	<b>117,926</b>	<b>124,719</b>	<b>132,377</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	23.3%	17.9%	13.7%	10.9%	10.1%
Operating EBITDA Growth	3.0%	12.4%	24.8%	16.9%	10.3%
Operating EBITDA Margin	11.3%	10.7%	11.8%	12.4%	12.5%
Net Cash Per Share (Rs)	1.90	0.88	2.31	2.93	3.85
BVPS (Rs)	124.77	131.88	138.74	146.73	155.74
Gross Interest Cover	25.58	37.67	47.72	51.19	63.24
Effective Tax Rate	30.2%	25.6%	24.0%	24.0%	23.0%
Net Dividend Payout Ratio	59.4%	56.4%	50.5%	51.5%	51.3%
Accounts Receivables Days	30.66	30.85	31.02	31.33	30.03
Inventory Days	102.25	97.48	100.37	100.54	100.57
Accounts Payables Days	69.50	56.43	55.22	58.03	57.04
ROIC (%)	23.7%	23.9%	29.1%	34.1%	36.4%
ROCE (%)	10.8%	10.0%	12.2%	13.8%	14.4%
Return On Average Assets	6.6%	6.9%	8.4%	9.3%	9.8%

<b>Key Drivers</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Unit sales grth (% , main prod./serv.)	8.1%	9.6%	8.6%	8.4%	8.4%
Unit sales grth (% ,2ndary prod/serv)	20.4%	23.8%	19.0%	11.8%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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