



India

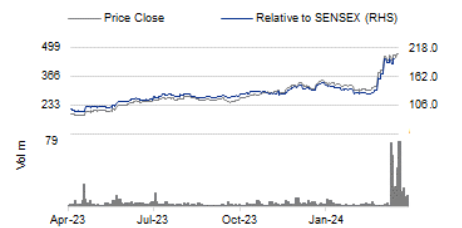
REDUCE (previously ADD)

Consensus ratings*:	Buy 15	Hold 4	Sell 5
Current price:	Rs472		
Target price:	Rs412 ▲		
Previous target:	Rs307		
Up/downside:	-12.7%		
InCred Research / Consensus:	4.2%		
Reuters:	EXID.NS		
Bloomberg:	EXID IN		
Market cap:	US\$4,813m	Rs401,540m	
Average daily turnover:	US\$28.3m	Rs2357.9m	
Current shares o/s:	850.0m		
Free float:	54.0%		

*Source: Bloomberg

Key changes in this note

- ▶ EBITDA cut by 1-2% for FY25F-26F.
- ▶ Interest costs raised by 20-30% for FY25-26F.
- ▶ PAT cut by 7% for FY25F-26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	52.1	41.4	141.2
Relative (%)	51.2	36.0	97.9

Major shareholders

	% held
Raheja Family	46.0
LIC	2.2
Kotak Mahindra Mutual Fund	5.6

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Exide Industries Ltd**Long gestation EV cell excitement overdone**

- 4Q EBITDA growth of 17% yoy beat our/Bloomberg consensus estimates, but high interest costs and low other income led PAT to miss our estimate.
- Hyundai's MoU for LFP cell development is a step in the right direction, but it converting to sales is a long-term project. We assign 1x invested project cost.
- Rising interest costs to fund the EV battery cell project led us to cut our EPS estimates. Downgrade to REDUCE due to +2SD above mean P/E valuation.

EBITDA margin scales three-year high on lower cost of lead

Exide Industries' 4QFY24 EBITDA grew 17% qoq to Rs5bn, 3% above our estimate & 10% above Bloomberg (BB) consensus estimate, mainly aided by lower raw material costs (-316bp) benefit. However, rising interest costs (+54% yoy) & lower other income led to a 7% miss on PAT vs. our estimate and a beat of 5% to BB consensus estimate at Rs2.8bn. Healthy cash flow generation (Rs20bn) helped in making a Rs12.9bn investment in EV cell plant in FY24. However, start-up and interest cost impacted consol. PAT (-11% yoy).

EV battery cell division excitement seems overdone

The recent MoU with Hyundai to develop LFP battery cell, we feel, is a step in the right direction. Considering that a large part of cell demand is expected to come from cars (50% by FY30F), getting a chance to develop this product for the second-largest car maker in India is comforting. However, the arrangement is specific only for LFP technology and will take a few years to develop and get tested in cars, before resulting in confirmed orders. Globally, Hyundai sources NCM cell from LG Chem while the India car market shifting towards LFP may have caught it off guard. Also, our channel check indicates that the progress in the EV cell plant in Bengaluru is slow and the production may start in mid-CY25F. Considering the long gestation period of cell plants to streamline production and reach scale, we assign 1x invested capital value only, leading to per share value of Rs27.1.

High equity funding cost of EV cell project leads to EPS cut of 7%

The gradual improvement in sales momentum to early teens and lower lead cost yielding EBITDA margin is on course (Fig. 4) vs. our expectation and so we maintain EBITDA. However, considering the big investment demand for EV cell plant (Rs23bn till date) of the Rs30bn investment planned for the first phase of 6GW, we feel rising interest costs is a cause of concern. We cut our PAT estimate by a sharp 7% for FY25F-26F.

Downgrade to REDUCE rating with a target price of Rs412

The sharp rerating in the stock price post Hyundai MoU has driven the stock to +2SD above 10-year mean P/E level and +1SD above P/BV. Raising target P/E for the lead acid battery business to 20x (+1SD) and incorporating cell subsidiary's value, we arrive at a SOTP-based target price of Rs412. Following a 13% downside in the target price, we downgrade our rating to REDUCE (ADD earlier). Better-than-expected execution in EV battery cell orders and the sale of HDFC Life shares to fund the EV project are the upside risks.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	145,919	160,292	177,899	197,547	217,201
Operating EBITDA (Rsm)	15,681	18,714	21,331	24,418	26,644
Net Profit (Rsm)	9,037	10,530	12,291	14,217	15,586
Core EPS (Rs)	10.6	12.4	14.5	16.7	18.3
Core EPS Growth	26.3%	16.5%	16.7%	15.7%	9.6%
FD Core P/E (x)	44.43	38.13	32.67	28.24	25.76
DPS (Rs)	6.0	7.0	8.5	9.5	9.5
Dividend Yield	1.27%	1.48%	1.80%	2.01%	2.01%
EV/EBITDA (x)	21.52	16.73	14.58	12.54	11.27
P/FCFE (x)	96.79	52.73	65.17	51.97	45.26
Net Gearing	(0.7%)	(1.7%)	(1.0%)	(0.8%)	(1.4%)
P/BV (x)	3.58	3.06	2.94	2.82	2.68
ROE	8.3%	8.6%	9.2%	10.2%	10.7%
% Change In Core EPS Estimates			(7.06%)	(7.14%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

Y/E Mar (Rs m)	4QFY24	4QFY23	yoy % chg	3QFY24	qoq % chg	FY24	FY23	yoy % chg	Comments for the quarter
Revenue	40,094	35,430	13.2	38,405	4.4	1,60,292	1,45,919	9.8	5% below our estimate.
Raw material costs	26,860	24,857	8.1	26,311	2.1	1,10,684	1,01,987	8.5	
RM costs as a % of revenue	67.0	70.2	(316.5)	68.5	(151.6)	69.1	69.9	(84.1)	137bp below our estimate.
EBITDA	5,162	3,672	40.6	4,399	17.3	18,714	15,681	19.3	3% above our estimate.
EBITDA margin (%)	12.9	10.4	251.0	11.5	141.9	11.7	10.7	92.8	100bp above our estimate.
Depreciation & amortization	1,248	1,193	4.7	1,274	(2.0)	4,975	4,558	9.1	
EBIT	3,913	2,479	57.8	3,126	25.2	13,739	11,123	23.5	
Interest expenses	128	83	54.1	145	(11.3)	486	295	64.5	9% above our estimate.
Other Income	34	412	(91.7)	227	(84.9)	845	1,324	(36.1)	94% below our estimate
Pre-tax profit	3,819	2,808	36.0	3,208	19.0	14,099	12,152	16.0	
Tax	982	730	34.5	806	21.9	3,569	3,115	14.6	
Tax rate (%)	25.7	26.0	(29)	25.1	59.6	25	26	(32)	
Normalized net profit	2,838	2,078	36.5	2,403	18.1	10,530	9,037	16.5	7% below our estimate.
Reported net profit	2,838	2,078	36.5	2,403	18.1	10,530	9,037	16.5	
Normalized EPS (Rs)	3.3	2.4	36.5	2.8	18.1	12.4	10.6	16.5	
Reported EPS (Rs)	3.3	2.4	36.5	2.8	18.1	12.4	10.6	16.5	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Sales growth gradually improves to early teens

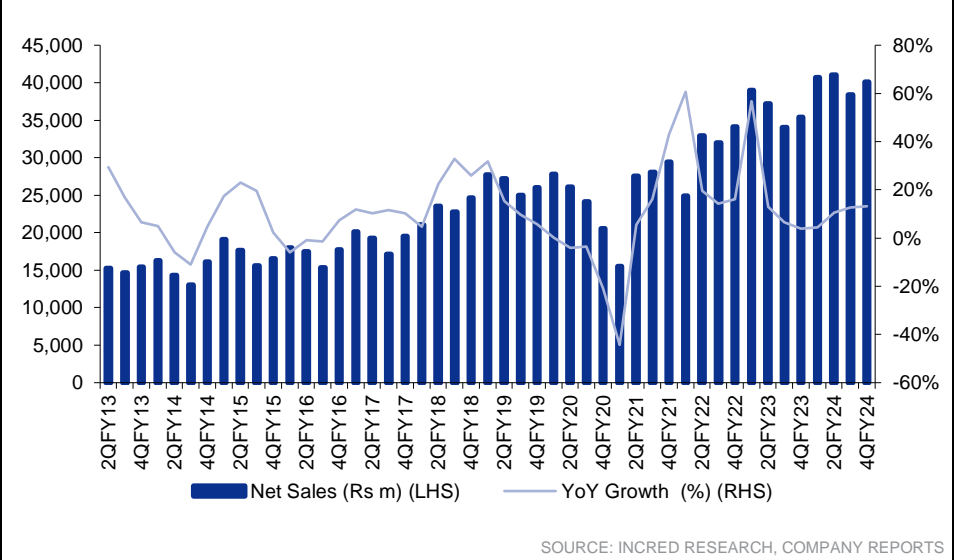


Figure 3: EBITDA margin on the improvement path to scale a three-year high

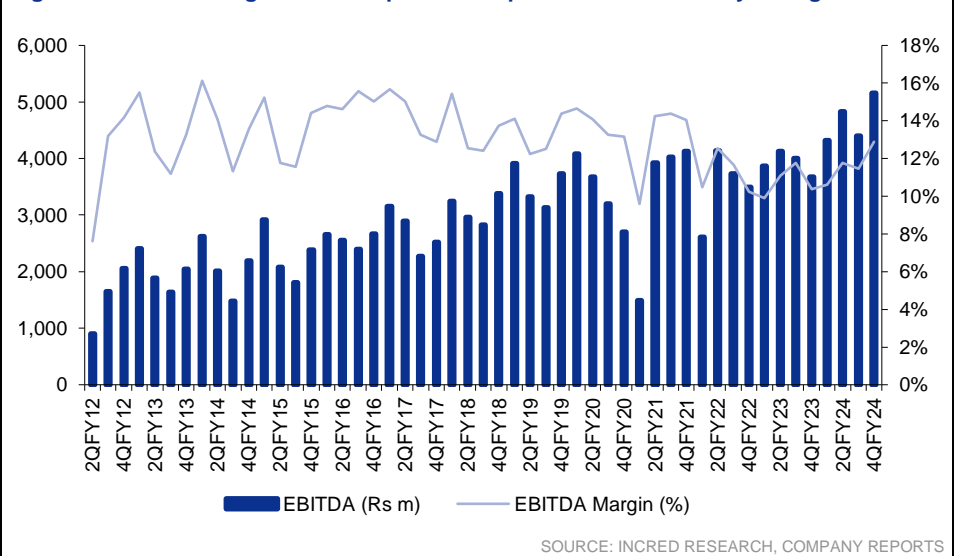


Figure 4: Correction in lead prices helped Exide Industries' gross margin recovery

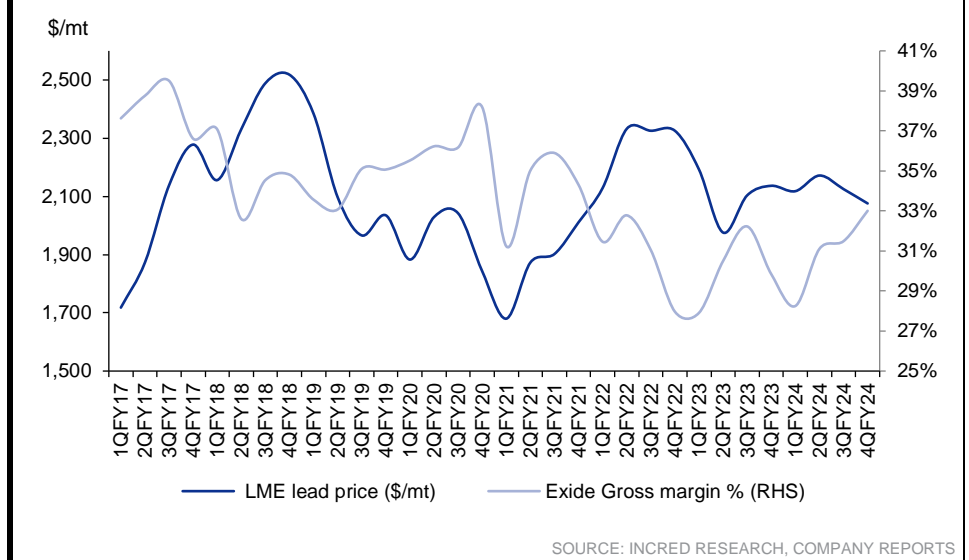


Figure 5: Mega trends across industrial division verticals

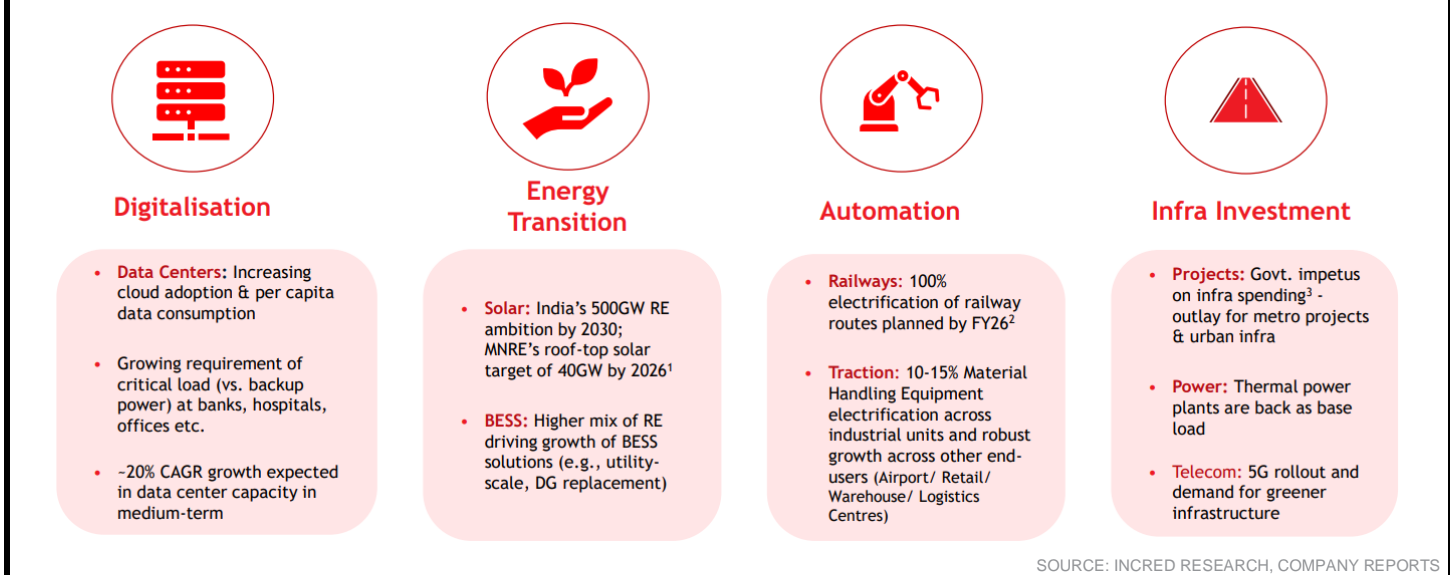


Figure 6: Expansion of distribution network and empowering channel partners

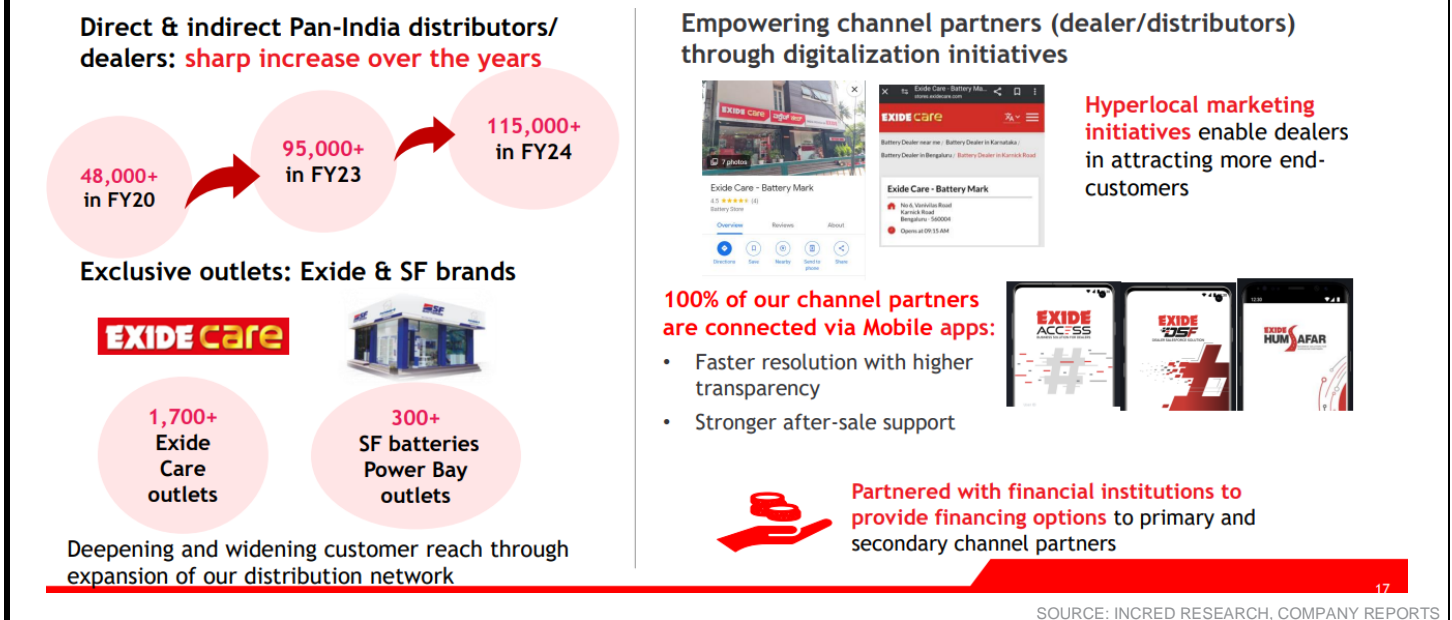


Figure 7: Exide Industries is ahead of the curve in its lithium-ion battery cell foray, with capacity planned in both LFP and NCM segments

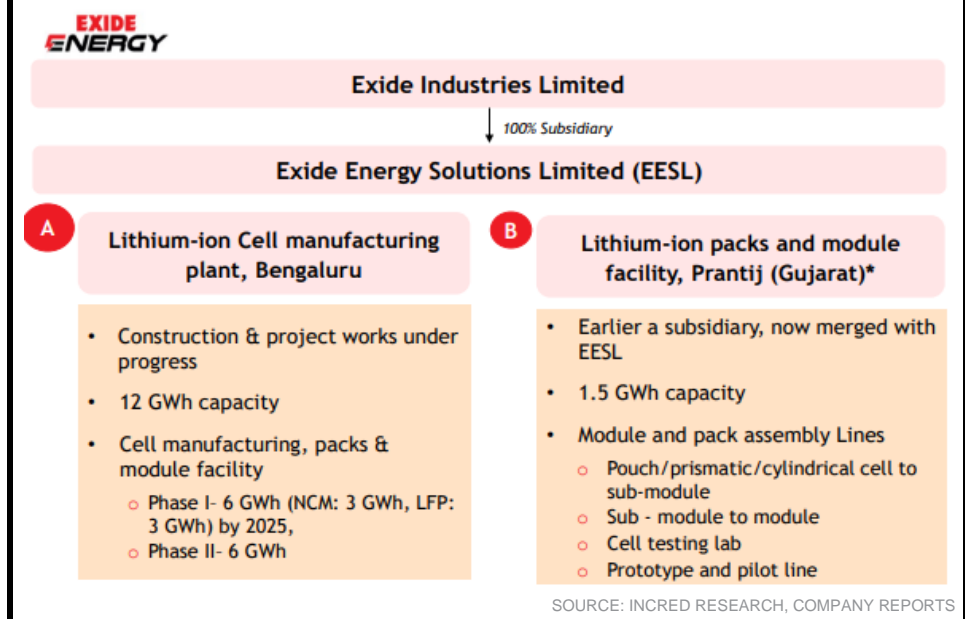


Figure 8: Wholly-owned subsidiary Exide Energy Solutions

- Setting up the multi-gigawatt green field project for li-ion cell manufacturing
- Offer complete end to end solution: from cell to system, from molecule to megawatt
- Exide has invested equity of Rs.2,302 crore in EESL till Mar-24

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Technical collaboration with SVOLT Technology Solutions

- Multi-year technical collaboration for li-ion cell technology
- Support for setting the plant on a turnkey basis
- Leading li-ion cell manufacturer
- Headquartered in China
- 3,000 team members and -500 experts in li-ion battery R&D

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Four lines planned for a capacity of 6GWh by 2025F

Cylindrical Cells: 4.2Ah & 5Ah

Radial Prismatic Cells: 106Ah, 157Ah & 228Ah

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Our revised earnings estimates

Rs m	FY25F		FY26F	
	Old	New	Old	New
Net sales	1,81,273	1,77,899	1,99,623	1,97,547
Change (%)		-1.9%		-1.0%
EBITDA	21,840	21,331	24,683	24,418
Change (%)		-2.3%		-1.1%
EBITDA margin	12.0%	12.0%	12.4%	12.4%
Change (bp)		-6		0
PAT	13,225	12,291	15,310	14,217
Change (%)		-7.1%		-7.1%
EPS (Rs)	15.56	14.46	18.01	16.73
Change (%)		-7.1%		-7.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Key assumptions

	FY21	FY22	FY23	FY24F	FY25F	FY26F
Gross Revenue						
4W OEM	8,801	11,224	14,709	16,053	17,520	19,561
% Growth	5%	28%	31%	9%	9%	12%
4W Replacement	41,199	52,602	59,651	64,074	71,587	80,321
% Growth	18%	28%	13%	7%	12%	12%
2W OEM	7,725	8,167	9,173	10,192	11,379	12,589
% Growth	2%	6%	12%	11%	12%	11%
2W Replacement	16,123	19,864	22,317	23,784	25,715	27,928
% Growth	17%	23%	12%	7%	8%	9%
Total Auto	73,848	91,858	1,05,850	1,14,103	1,26,201	1,40,399
% Growth	14%	24%	15%	8%	11%	11%
Industrial	26,436	31,826	39,398	45,449	50,798	56,148
% Growth	-22%	20%	24%	15%	12%	11%

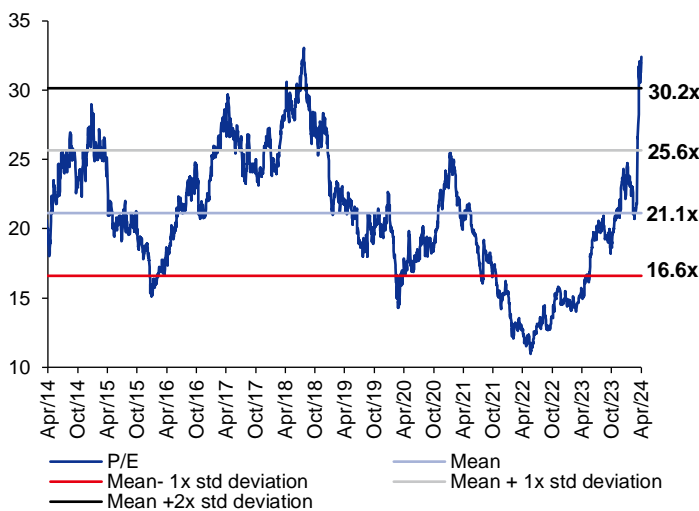
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Our SOTP-based target price changes to capture EV division's value

	Methodology	Amount in Rs m	Per share	Value per share (Rs)
Core battery business	20x 1-year forward P/E		16.87	337
Holding in HDFC Life	Market value post 20% holding discount	40,587	59.7	47.7
Exide Energy Solution	1x investment cost	23,020	27.1	27.1
SOTP value of Exide Industries				412

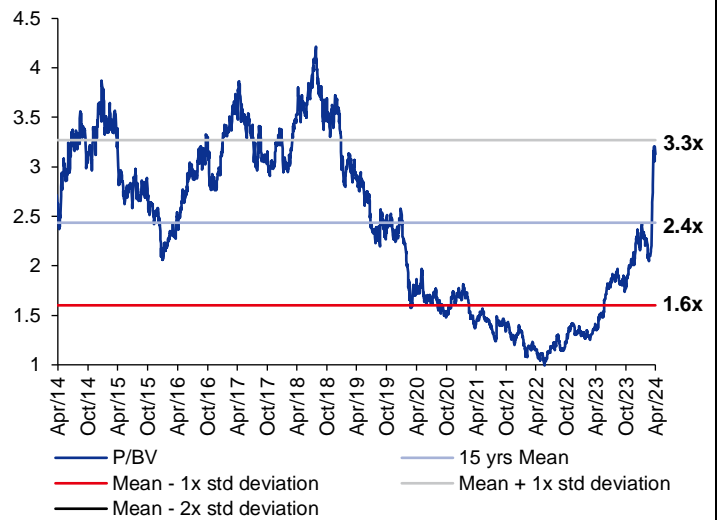
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Forward P/E valuation above +2 standard deviation level



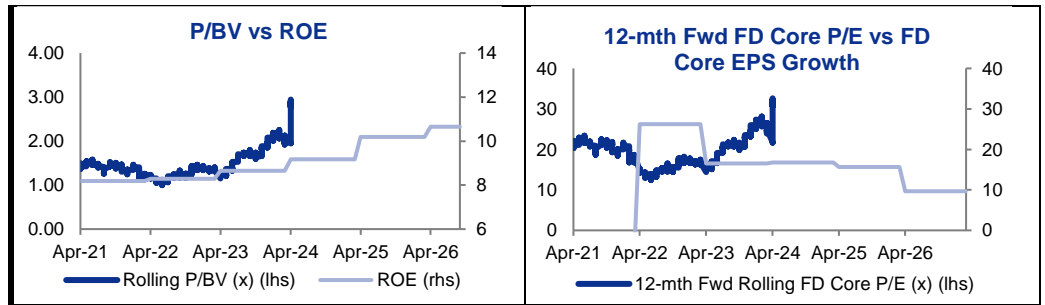
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Forward P/BV valuation near +1 standard deviation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	145,919	160,292	177,899	197,547	217,201
Gross Profit	43,933	49,608	56,728	65,385	71,911
Operating EBITDA	15,681	18,714	21,331	24,418	26,644
Depreciation And Amortisation	(4,558)	(4,975)	(5,472)	(5,976)	(6,508)
Operating EBIT	11,123	13,739	15,859	18,442	20,136
Financial Income/(Expense)	(295)	(486)	(400)	(500)	(450)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,324	845	930	1,014	1,095
Profit Before Tax (pre-EI)	12,152	14,099	16,389	18,956	20,781
Exceptional Items					
Pre-tax Profit	12,152	14,099	16,389	18,956	20,781
Taxation	(3,115)	(3,569)	(4,097)	(4,739)	(5,195)
Exceptional Income - post-tax					
Profit After Tax	9,037	10,530	12,291	14,217	15,586
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	9,037	10,530	12,291	14,217	15,586
Recurring Net Profit	9,037	10,530	12,291	14,217	15,586
Fully Diluted Recurring Net Profit	9,037	10,530	12,291	14,217	15,586

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	15,681	18,714	21,331	24,418	26,644
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,941)	5,331	(6,812)	(3,176)	(3,772)
(Incr)/Decr in Total Provisions	2,125	(37)	1,299	640	677
Other Non-Cash (Income)/Expense	(454)	829			
Other Operating Cashflow					
Net Interest (Paid)/Received	1,029	360	530	514	645
Tax Paid	(3,237)	(3,102)	(3,605)	(4,170)	(4,572)
Cashflow From Operations	8,203	22,094	12,743	18,226	19,622
Capex	(2,930)	(6,132)	(3,332)	(5,250)	(5,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,125)	(8,347)	(3,250)	(5,250)	(5,250)
Other Investing Cashflow					
Cash Flow From Investing	(4,054)	(14,479)	(6,582)	(10,500)	(10,750)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,100)	(5,950)	(7,225)	(8,075)	(8,075)
Preferred Dividends					
Other Financing Cashflow	84	(22)	50	50	50
Cash Flow From Financing	(5,016)	(5,972)	(7,175)	(8,025)	(8,025)
Total Cash Generated	(867)	1,643	(1,014)	(299)	847
Free Cashflow To Equity	4,149	7,615	6,161	7,726	8,872
Free Cashflow To Firm	4,444	8,101	6,561	8,226	9,322

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	745	2,227	1,373	1,174	2,121
Total Debtors	13,662	14,644	16,997	18,278	20,047
Inventories	29,891	32,493	35,092	38,427	42,250
Total Other Current Assets	2,128	2,561	2,600	2,700	2,800
Total Current Assets	46,425	51,925	56,062	60,579	67,218
Fixed Assets	28,468	29,001	28,529	27,803	26,794
Total Investments	63,414	86,206	89,206	94,206	99,206
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	91,881	115,207	117,734	122,008	126,000
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	15,360	23,199	21,933	23,273	24,993
Other Current Liabilities	9,670	10,312	10,828	11,369	11,938
Total Current Liabilities	25,030	33,511	32,760	34,642	36,931
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	2,223	3,917	4,597	5,365	6,196
Total Liabilities	27,253	37,428	37,358	40,006	43,127
Shareholders Equity	112,098	131,372	136,439	142,581	150,091
Minority Interests					
Total Equity	112,098	131,372	136,439	142,581	150,091

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.9%	9.8%	11.0%	11.0%	9.9%
Operating EBITDA Growth	12.4%	19.3%	14.0%	14.5%	9.1%
Operating EBITDA Margin	10.7%	11.7%	12.0%	12.4%	12.3%
Net Cash Per Share (Rs)	0.88	2.62	1.62	1.38	2.50
BVPS (Rs)	131.88	154.56	160.52	167.74	176.58
Gross Interest Cover	37.67	28.28	39.65	36.88	44.75
Effective Tax Rate	25.6%	25.3%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	56.4%	56.5%	58.8%	56.8%	51.8%
Accounts Receivables Days	30.85	28.91	28.98	29.91	29.60
Inventory Days	97.48	102.86	101.79	101.52	101.34
Accounts Payables Days	56.43	63.58	67.97	62.42	60.63
ROIC (%)	23.9%	28.0%	35.1%	36.6%	38.3%
ROCE (%)	10.0%	11.0%	11.5%	12.8%	13.2%
Return On Average Assets	6.9%	7.2%	7.4%	8.3%	8.5%

Key Drivers

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Unit sales grth (% , main prod./serv.)	9.6%	6.3%	8.0%	8.8%	7.9%
Unit sales grth (% ,2ndary prod/serv)	23.8%	15.4%	11.8%	10.5%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
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served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

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