

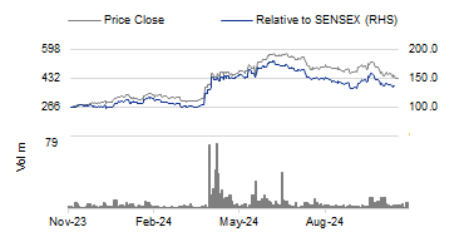
India

**REDUCE** (no change)

Consensus ratings*:	Buy 9	Hold 5	Sell 8
Current price:	Rs437		
Target price:	Rs395		
Previous target:	Rs412		
Up/downside:	-9.6%		
InCred Research / Consensus:	-21.0%		
Reuters:			
Bloomberg:	EXID IN		
Market cap:	US\$5,111m		
	Rs371,110m		
Average daily turnover:	US\$39.2m		
	Rs2846.1m		
Current shares o/s:	850.0m		
Free float:	54.0%		
*Source: Bloomberg			

**Key changes in this note**

- FY25F-27F sales cut by 3%.
- FY25F-27F EBITDA cut by 3-6%.
- FY25F-27F EPS but by 4-7%.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(17.7)	(11.5)	62.8
Relative (%)	(15.7)	(11.2)	32.9

<b>Major shareholders</b>	% held
Raheja Family	46.0
LIC	1.9
Kotak Mahindra Mutual Fund	5.1

**Research Analyst(s)**



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# Exide Industries Ltd

## Sales growth slowdown persists

- 2Q EPS growth of 4% yoy to Rs3.5 was 7% below our/Bloomberg consensus estimates due to weak sales momentum and EBITDA margin pressure.
- We cut FY25F-27F EPS by 4-7% due to sales estimate downgrade of 3%.
- We maintain our REDUCE rating as the forward P/E valuation is still elevated at +1SD above the 10-year mean level, considering sales slowdown concerns.

### Sequential EBITDA decline on higher other expenses; miss 12%

Exide Industries' 2QFY25 EBITDA was flat yoy but fell 2% qoq to Rs4.8bn, 12% below our estimate & 11% below Bloomberg (BB) consensus estimate, mainly impacted by higher other expenses (+10% yoy). The sequential sales growth momentum was muted but grew by 4% yoy to Rs.43bn, a 6% miss to our estimate and 5% to the BB consensus estimate. However, higher other income (+38% yoy & +273% qoq) led to a 7% qoq and 4% yoy rise in PAT to Rs3bn, while it missed our estimate and the BB consensus estimate by 7%.

### Management conference-call highlights

Management highlighted that the slowdown in automobile manufacturing led to lows in 2Q net sales while replacement growth was in double digits. The decline in supplies to inverter and telecom segments impacted 2Q sales. Management feels the sales momentum should improve from organization restructuring undertaken and new leadership hiring to strengthen its go-to market strategy for B2C segment products. The lithium-ion manufacturing plant is likely to start production in mid-CY25F. On the EBITDA margin front, the company's endeavour is to attain mid-teen growth in the medium term.

### We cut FY25F-27F EPS by 4-7%

The slowdown in sales momentum disappoints. Considering just a 5% net sales growth in 1HFY25, we cut FY25F-27F sales by 3%. Softening lead prices and a price hike in the aftermarket segment provide hope to sustain the near-12% EBITDA margin. With high investment demand for the lithium-ion project leading to prolonged higher interest costs, we cut FY25-27F EPS by 4-7%.

### Maintain REDUCE rating with a lower SOTP-based TP of Rs395

The steep 25% stock price correction from its peak four months ago has eased the forward P/E valuation to just above +1SD of the 10-year mean. However, considering the slowdown in lead acid battery business momentum and prolonged gestation period for its lithium-ion battery business, we maintain our REDUCE rating on the stock with a lower sum-of-the-parts or SOTP-based target price of Rs395 (Rs412 earlier). The lead acid battery business is valued at 18x one-year forward P/E and the lithium-ion battery business, at 1x equity investment, at Rs33.5/share. Key upside risk: Policy changes in the lithium-ion cell import duty structure aiding domestic manufacturing.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	145,919	160,292	171,897	190,908	209,951
Operating EBITDA (Rsm)	15,681	18,714	20,104	23,228	25,771
Net Profit (Rsm)	9,037	10,530	11,447	13,358	14,968
Core EPS (Rs)	10.6	12.4	13.5	15.7	17.6
Core EPS Growth	26.3%	16.5%	8.7%	16.7%	12.1%
FD Core P/E (x)	41.07	35.24	32.42	27.78	24.79
DPS (Rs)	6.0	7.0	7.5	9.0	10.0
Dividend Yield	1.37%	1.60%	1.72%	2.06%	2.29%
EV/EBITDA (x)	19.57	15.11	13.91	11.85	10.49
P/FCFE (x)	89.45	48.73	59.91	53.51	44.45
Net Gearing	(0.7%)	(1.7%)	(1.7%)	(1.2%)	(1.1%)
P/BV (x)	3.31	2.82	2.72	2.61	2.50
ROE	8.3%	8.6%	8.5%	9.6%	10.3%
% Change In Core EPS Estimates			(6.87%)	(6.04%)	(3.96%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Sales growth slowdown persists

### Management conference-call highlights▶

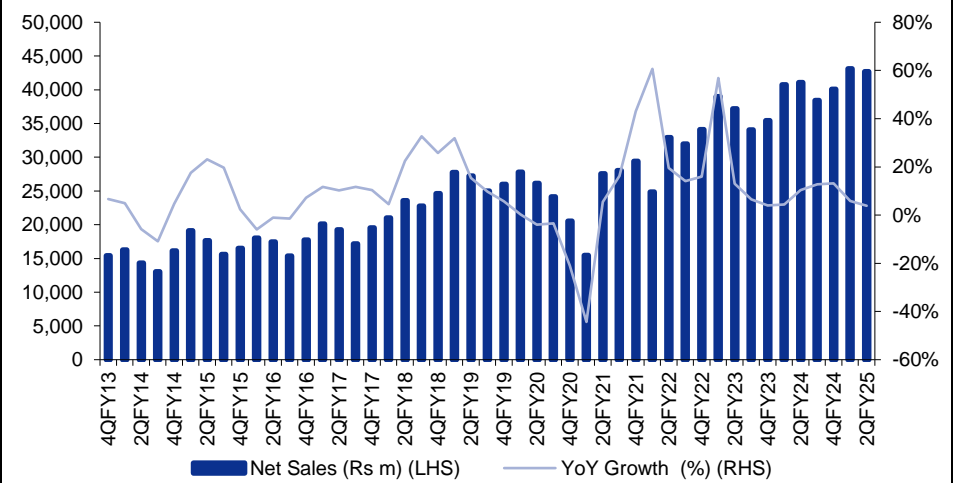
- **Automotive OEMs:** In the car segment, demand remains weak due to cut down in production volume by major OEMs. OEMs' production is likely to see a 5% growth in FY25F.
- **Automotive replacement segment:** The two-wheeler and four-wheeler replacement markets experienced healthy demand, leading to double-digit sales growth, which, management believes, will maintain the momentum going ahead.
- **Industrial and home segments:** Demand trend was positive in industrial UPS and the solar B2C market. However, home UPS sales were muted due to heavy rainfall.
- **Other segments:** Solar (up 25-30% yoy), exports and infrastructure segments saw double-digit volume growth. The telecom sector's volume declined. For the international market, management plans to launch new products and intends to expand to new locations.
- **Financial performance:** The EBITDA margin for the quarter stood at 11.3% in 2QFY25 (-43bp) yoy and (-13bp) qoq, impacted by the lower absorption of fixed overheads. Management endeavor is to reach 13% in the medium term and 15% in the long run on the back of cost reduction initiatives and a rich product mix.
- **Lithium-ion manufacturing plant:** Management plans to spend Rs5bn for its upcoming lithium-ion-in cell manufacturing plant in phase-1, which is likely to start operations by the end of FY25F with 6gigawatt/hour or GWh (NCM: 3 GWh & LFP: 3 GWh). In phase-2, the company plans to spend Rs.2bn for 5 GWh. Required approval and certificates are likely to be received before the completion of the plan. Management believes lithium cells can generate in-line margin of lead acid batteries on full capacity utilization of the plant.
- **Price action:** In the aftermarket division, the company took a price hike of 1.5%.
- **Lead acid battery business:** During the quarter, lead prices saw moderation. The lead acid battery business is likely to maintain its growth momentum as the top-3 car OEMs plan to increase their production capacity in the ICE space.
- **Exide Energy Solutions (EESL):** Total equity investment by Exide Industries till date is Rs.28.5bn (including investment made in the erstwhile merged subsidiary, EEPL).

Figure 1: Results comparison

Y/E Mar (Rs m)	2QFY25	2QFY24	yoy % chg	1QFY25	qoq % chg	1HFY25	1HFY24	yoy % chg	Comments for the quarter
Revenue	42,673	41,067	3.9	43,128	(1.1)	85,801	81,793	4.9	6% below our estimate.
Raw material costs	29,213	28,292	3.3	29,895	(2.3)	59,108	57,512	2.8	
RM costs as a % of revenue	68.5	68.9	(43.3)	69.3	(85.9)	68.9	70.3	(142.4)	46bp above our estimate.
EBITDA	4,836	4,831	0.1	4,943	(2.2)	9,779	9,153	6.8	12% below our estimate.
<b>EBITDA margin (%)</b>	<b>11.3</b>	<b>11.8</b>	<b>(43.2)</b>	<b>11.5</b>	<b>(12.9)</b>	<b>11.4</b>	<b>11.2</b>	<b>20.7</b>	67bp below our estimate.
Depreciation & amortization	1,270	1,259	0.9	1,257	1.0	2,527	2,453	3.0	
EBIT	3,566	3,572	(0.2)	3,686	(3.2)	7,252	6,700	8.2	
Interest expenses	103	115	(10.8)	87	18.8	190	213	(11.1)	3% above our estimate.
Other income	528	392	34.8	142	273.2	670	584	14.7	111% above our estimate.
Pre-tax profit	3,991	3,849	3.7	3,741	6.7	7,732	7,071	9.3	
Tax	1,014	979	3.6	945	7.3	1,958	1,782	9.9	
Tax rate (%)	25.4	25.4	(3)	25.3	13.7	25	25	13	
<b>Normalized net profit</b>	<b>2,978</b>	<b>2,870</b>	<b>3.8</b>	<b>2,796</b>	<b>6.5</b>	<b>5,773</b>	<b>5,289</b>	<b>9.2</b>	7% below our estimate.
Reported net profit	2,978	2,870	3.8	2,796	6.5	5,773	5,289	9.2	
Normalized EPS (Rs)	3.5	3.4	3.8	3.3	6.5	6.8	6.2	9.2	
Reported EPS (Rs)	3.5	3.4	3.8	3.3	6.5	6.8	6.2	9.2	

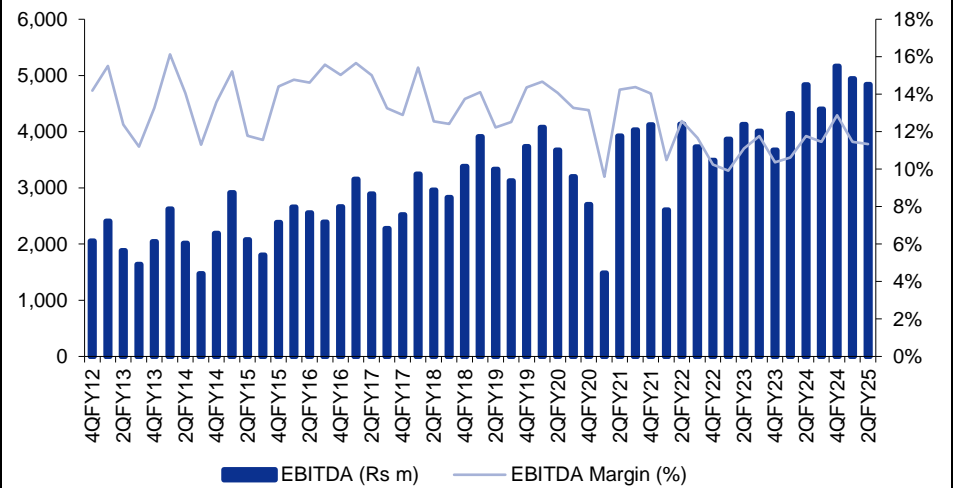
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Sales growth slowdown disappoints



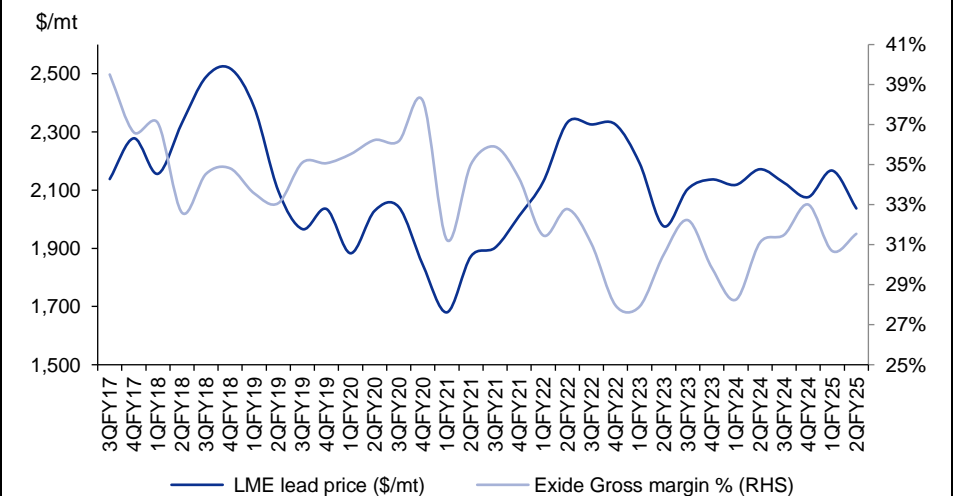
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: EBITDA margin saw a sequential decline



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sequential weakness in lead prices comforts



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Lithium-ion manufacturing plant details

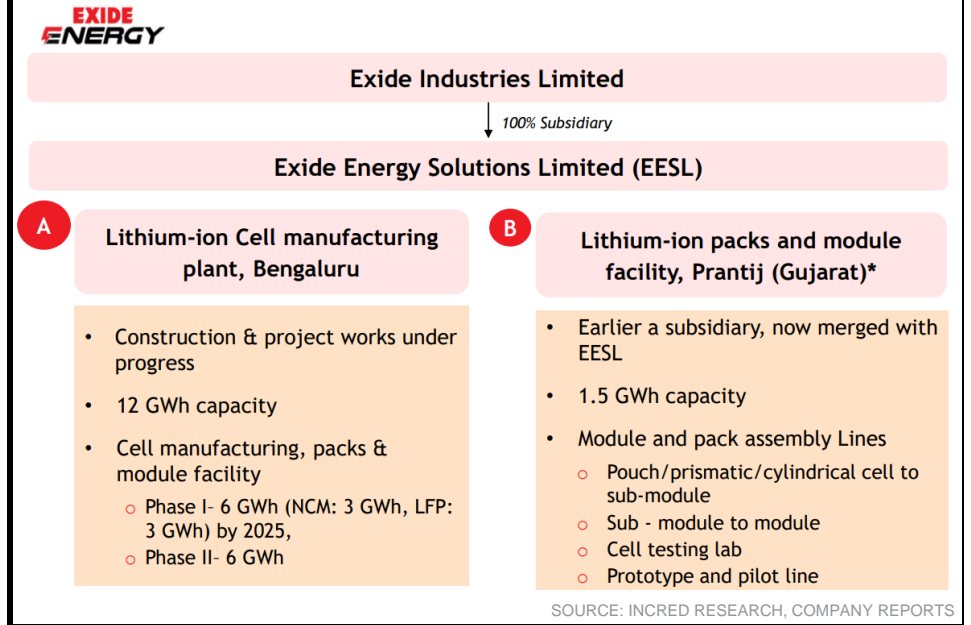


Figure 6: Our revised earnings estimates

Rs m	FY25F		FY26F		FY27F	
	Old	New	Old	New	Old	New
Net sales	1,77,899	1,71,897	1,97,547	1,90,908	2,17,201	2,09,951
Change (%)		-3.4%		-3.4%		-3.3%
EBITDA	21,331	20,104	24,418	23,228	26,644	25,771
Change (%)		-5.8%		-4.9%		-3.3%
EBITDA margin	12.0%	11.7%	12.4%	12.2%	12.3%	12.3%
Change (bp)		-30		-19		1
PAT	12,291	11,447	14,217	13,358	15,586	14,968
Change (%)		-6.9%		-6.0%		-4.0%
EPS (Rs)	14.46	13.47	16.73	15.72	18.34	17.61
Change (%)		-6.9%		-6.0%		-4.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Key assumptions

	FY22	FY23	FY24	FY25F	FY26F	FY27F
<b>Gross Revenue</b>						
4W OEM	11,224	14,709	16,053	16,700	18,645	20,818
% Growth	28%	31%	9%	4%	12%	12%
4W replacement	52,602	59,651	64,074	72,189	80,996	90,052
% Growth	28%	13%	7%	13%	12%	11%
2W OEM	8,167	9,173	10,192	11,529	12,755	13,982
% Growth	6%	12%	11%	13%	11%	10%
2W replacement	19,864	22,317	23,784	24,743	26,872	28,769
% Growth	23%	12%	7%	4%	9%	7%
<b>Total Auto</b>	<b>91,858</b>	<b>1,05,850</b>	<b>1,14,103</b>	<b>1,25,161</b>	<b>1,39,268</b>	<b>1,53,620</b>
% Growth	24%	15%	8%	10%	11%	10%
<b>Industrial</b>	<b>31,826</b>	<b>39,398</b>	<b>45,449</b>	<b>45,836</b>	<b>50,640</b>	<b>55,330</b>
% Growth	20%	24%	15%	1%	10%	9%

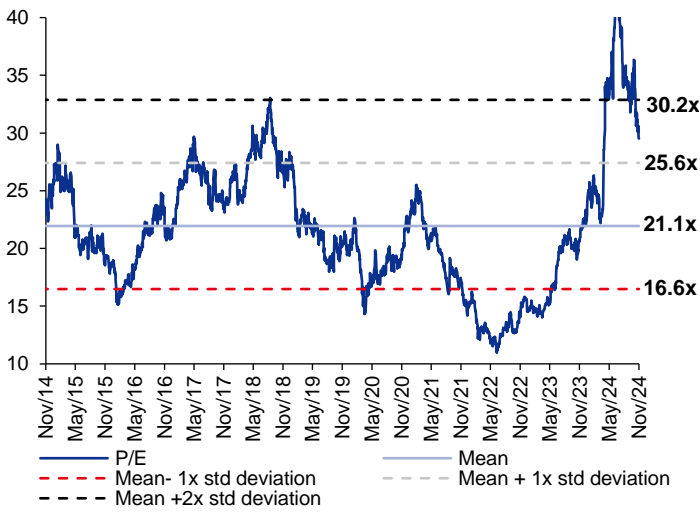
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our SOTP-based target price changes to capture the EV division's value

	Methodology	Amount in Rs m	Per share	Value per share (Rs)
Core battery business	20x 1-year forward P/E		16.89	304
Holding in HDFC Life	Market value post 20% holding discount	49,147	72.3	57.8
Exide Energy Solutions	1x investment cost	28,500	33.5	33.5
<b>SOTP value of Exide Industries</b>				<b>395</b>

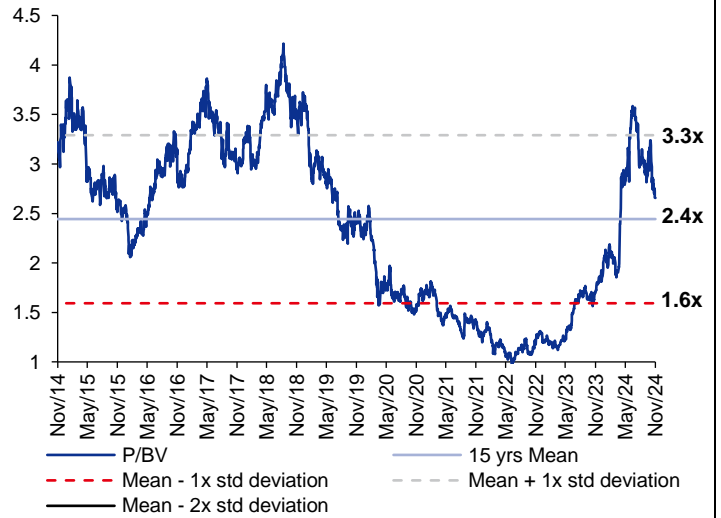
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Forward P/E valuation above the +1 SD level



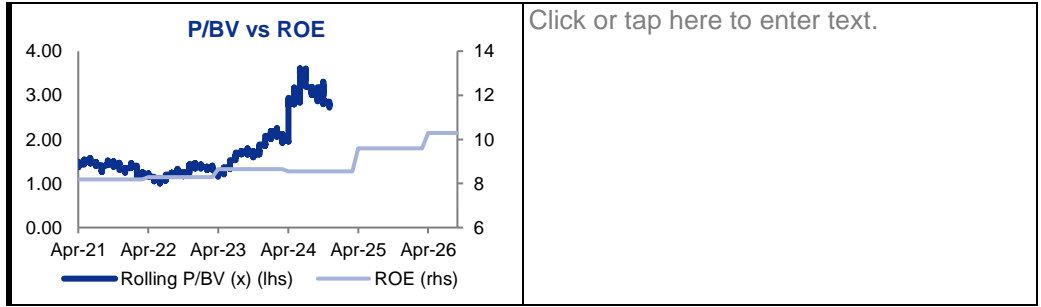
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 10: Forward P/BV valuation above the 15-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	145,919	160,292	171,897	190,908	209,951
<b>Gross Profit</b>	43,933	49,609	54,291	62,227	69,084
<b>Operating EBITDA</b>	15,681	18,714	20,104	23,228	25,771
Depreciation And Amortisation	(4,558)	(4,975)	(5,413)	(5,976)	(6,508)
<b>Operating EBIT</b>	11,123	13,740	14,691	17,251	19,263
Financial Income/(Expense)	(295)	(486)	(400)	(500)	(450)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,324	845	972	1,060	1,144
<b>Profit Before Tax (pre-EI)</b>	12,152	14,099	15,263	17,811	19,958
Exceptional Items					
<b>Pre-tax Profit</b>	12,152	14,099	15,263	17,811	19,958
Taxation	(3,115)	(3,569)	(3,816)	(4,453)	(4,989)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	9,037	10,530	11,447	13,358	14,968
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	9,037	10,530	11,447	13,358	14,968
Recurring Net Profit	9,037	10,530	11,447	13,358	14,968
<b>Fully Diluted Recurring Net Profit</b>	9,037	10,530	11,447	13,358	14,968

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	15,681	18,714	20,104	23,228	25,771
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,941)	5,331	(5,841)	(3,073)	(3,653)
(Incr)/Decr in Total Provisions	2,125	(37)	1,299	640	677
Other Non-Cash (Income)/Expense	(454)	1,591			
Other Operating Cashflow					
Net Interest (Paid)/Received	1,029	360	572	560	694
Tax Paid	(3,237)	(3,864)	(3,358)	(3,918)	(4,391)
<b>Cashflow From Operations</b>	8,203	22,094	12,776	17,436	19,099
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					
<b>Cash Flow From Investing</b>	(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)	(6,375)	(7,650)	(8,500)
Preferred Dividends					
Other Financing Cashflow	84	(22)	50	50	50
<b>Cash Flow From Financing</b>	(5,016)	(5,972)	(6,325)	(7,600)	(8,450)
Total Cash Generated	(867)	1,643	(131)	(664)	(101)
<b>Free Cashflow To Equity</b>	4,149	7,615	6,194	6,936	8,349
<b>Free Cashflow To Firm</b>	4,444	8,101	6,594	7,436	8,799

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	745	2,227	2,256	1,692	1,691
Total Debtors	13,662	14,644	16,470	17,714	19,431
Inventories	29,891	32,493	33,908	37,135	40,840
Total Other Current Assets	2,128	2,561	2,600	2,700	2,800
<b>Total Current Assets</b>	<b>46,425</b>	<b>51,925</b>	<b>55,235</b>	<b>59,241</b>	<b>64,762</b>
Fixed Assets	28,468	29,001	28,588	27,862	26,854
Total Investments	63,414	86,206	89,206	94,206	99,206
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>91,881</b>	<b>115,207</b>	<b>117,794</b>	<b>122,068</b>	<b>126,059</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	15,360	23,199	21,193	22,491	24,159
Other Current Liabilities	9,670	10,312	10,828	11,369	11,938
<b>Total Current Liabilities</b>	<b>25,030</b>	<b>33,511</b>	<b>32,020</b>	<b>33,860</b>	<b>36,096</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	2,223	3,917	4,564	5,296	6,104
<b>Total Liabilities</b>	<b>27,253</b>	<b>37,428</b>	<b>36,584</b>	<b>39,156</b>	<b>42,200</b>
Shareholders Equity	112,098	131,372	136,445	142,153	148,621
Minority Interests					
<b>Total Equity</b>	<b>112,098</b>	<b>131,372</b>	<b>136,445</b>	<b>142,153</b>	<b>148,621</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	17.9%	9.8%	7.2%	11.1%	10.0%
Operating EBITDA Growth	12.4%	19.3%	7.4%	15.5%	11.0%
Operating EBITDA Margin	10.7%	11.7%	11.7%	12.2%	12.3%
Net Cash Per Share (Rs)	0.88	2.62	2.65	1.99	1.99
BVPS (Rs)	131.88	154.56	160.52	167.24	174.85
Gross Interest Cover	37.67	28.28	36.73	34.50	42.81
Effective Tax Rate	25.6%	25.3%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	56.4%	56.5%	55.7%	57.3%	56.8%
Accounts Receivables Days	30.85	28.91	29.43	29.91	29.59
Inventory Days	97.48	102.86	103.04	100.76	101.02
Accounts Payables Days	56.43	63.58	68.89	61.95	60.44
ROIC (%)	23.9%	28.0%	32.5%	34.8%	37.4%
ROCE (%)	10.0%	11.0%	10.6%	12.0%	12.7%
Return On Average Assets	6.9%	7.2%	7.0%	7.8%	8.3%

<b>Key Drivers</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Unit sales grth (% , main prod./serv.)	9.6%	6.3%	7.6%	8.8%	8.0%
Unit sales grth (% ,2ndary prod/serv)	23.8%	15.4%	0.9%	10.5%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### Recommendation Framework

##### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

##### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

##### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.