

## India

**REDUCE** (no change)

Consensus ratings\*: Buy 9 Hold 6 Sell 5

Current price: Rs376  
 Target price: ▼ Rs349  
 Previous target: Rs412  
 Up/downside: -7.2%  
 InCred Research / Consensus: -11.9%

Reuters: EXID.NS  
 Bloomberg: EXID IN  
 Market cap: US\$3,768m  
 Rs319,643m  
 Average daily turnover: US\$14.2m  
 Rs1201.6m  
 Current shares o/s: 850.0m  
 Free float: 54.0%

\*Source: Bloomberg

**Key changes in this note**

- FY26F-27F sales cut by 3-4%.
- FY26F-27F EBITDA cut by 5-7%.
- FY26F-27F EPS cut by 6-8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.4	(0.3)	(17.0)
Relative (%)	(2.2)	(3.8)	(24.5)

Major shareholders	% held
Raheja Family	46.0
LIC	1.9
Kotak Mahindra Mutual Fund	5.1

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**Exide Industries Ltd****Slow sales momentum continues**

- 4Q EPS dip of 10% to Rs3 was sharply below our/Bloomberg consensus estimates, impacted by slow sales growth and antimony cost spike pressure.
- While the antimony cost recovery improves, slow sales growth momentum is an area of concern, leading to our 6-8% EPS cut for FY26F-27F.
- Sharp stock price corrections improve valuation comfort but earning triggers still missing. Maintain REDUCE rating with a SOTP-based TP of Rs349.

**EBITDA declines by 10% yoy in 4QFY25**

Exide Industries' 4QFY25 EBITDA dipped 10% yoy to Rs4.7bn, which was sharply below our estimate (20%) and Bloomberg consensus estimate (8%). Weak sales growth of just 4% yoy and sharp EBITDA margin correction of 160bp yoy and 40bp qoq to 11.2% led to disappointment. Management indicated that spike in antimony metal cost due to China banning its exports led to a 100bp EBITDA margin pressure and Rs250m write-off impacted 4Q EBITDA margin. PAT dipped 10% yoy to Rs.2.5bn, a big miss to our estimate (20%) and Bloomberg consensus estimate (14%).

**Management conference-call highlights**

Management indicated that slow sales momentum in FY25 was predominantly due to the telecom segment demand weakness post 5G rollout and its transition from 2W batteries to punch grid technology. With new capacity to come on stream in Nov 2025F, it expects to cater to the 2W segment better to capture growth. The home inverter division is setting up an independent distribution network to augment sales aided by new products. As regards lithium-ion cells, management expects production to start in 2HCY25F while post customer validation, ramp-up to happen in CY26F. Initially, management's focus will be to cut the scrappage rate.

**EPS cut by 6-8% for FY26F-27F**

Management highlighted repeated price hikes being taken since Feb 2025 to neutralize the rise in antimony costs where under-recoveries are now almost nil. However, building in slow demand recovery and 2W new capacity still taking six more months to come on stream, we cut sales estimates by 3-4% for FY26F-27F. The EBITDA margin cut by 20-35bp for FY26F-27F leads to a 5-7% EBITDA reduction in FY26F-27F.

**Maintain REDUCE rating with a lower SOTP-based TP of Rs349**

The sharp 35% stock price correction from its peak in Jul 2024, is as per our expectation of a REDUCE rating. While the valuation eases to 10-year mean levels on one-year forward P/E, easing sales momentum and long-gestation of EV projects are areas of concern. Maintain REDUCE rating with a lower core battery business P/E of 15x one-year forward (vs. 18x earlier), leading to a SOTP- based target price of Rs349 (Rs395 earlier). Key upside risks: Policy changes in the lithium-ion cell import duty structure or increased local content in electric vehicles or EVs aiding domestic manufacturing.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	160,292	165,881	182,755	202,776	225,235
Operating EBITDA (Rsm)	18,714	18,932	21,602	24,509	26,935
Net Profit (Rsm)	10,530	10,770	12,252	14,117	15,735
Core EPS (Rs)	12.4	12.7	14.4	16.6	18.5
Core EPS Growth	16.5%	2.3%	13.8%	15.2%	11.5%
FD Core P/E (x)	30.36	29.68	26.09	22.64	20.31
DPS (Rs)	7.0	7.5	9.0	10.0	10.0
Dividend Yield	1.86%	1.99%	2.39%	2.66%	2.66%
EV/EBITDA (x)	12.35	11.56	9.81	8.41	7.33
P/FCFE (x)	41.98	65.03	33.90	34.71	44.77
Net Gearing	(1.7%)	(0.8%)	(2.0%)	(2.5%)	(1.6%)
P/BV (x)	2.43	2.21	2.14	2.07	1.97
ROE	8.6%	7.8%	8.4%	9.3%	9.9%
% Change In Core EPS Estimates			(13.82%)	(9.42%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Slow sales momentum continues

### Management conference-call highlights ►

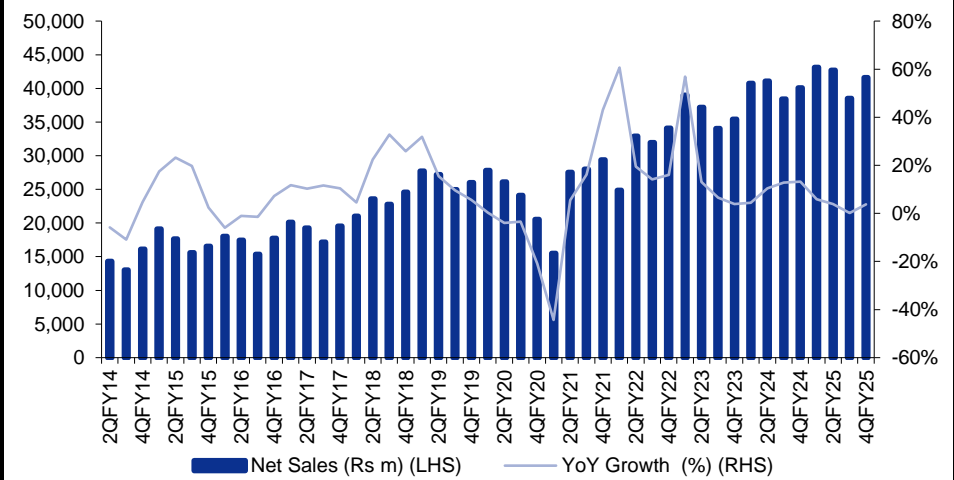
- **Sector dynamics:** Domestic auto replacement demand remains robust, but OEM demand was muted. There is steady growth in industrial UPS and solar markets; with home inverters expected to recover in 1QFY26F. Telecom demand weakened due to a high base from 5G rollout in FY24 and a shift to lithium-ion battery solutions. European industrial battery demand was affected by recession, although new trade dynamics and exchange rates may drive a recovery in FY26F.
- **Sub-segment performance:** The four-wheeler or 4W aftermarket grew in double digits, contributing 25–30% to sales. The 2W aftermarket saw 18% growth in 4Q post supply fixes. The solar power segment's business rose by 25–27%, targeting Rs12bn in FY26F. Industrial UPS business grew on strong VRLA demand. Telecom business declined by 25–30%, but demand seems to have stabilized.
- **Lithium-ion cell manufacturing:** Invested Rs10bn in FY25 and an additional Rs 3bn in Apr 2025, totaling Rs36bn in equity for the 100% subsidiary, EESL. Trial production is expected in CY25F. Commercial production to follow after four-to-five months. The company is developing two lines each of cylindrical and prismatic cells, with NMC and LFP chemistries. Cylindrical NMC was prioritized for two-wheelers, followed by LFP prismatic for three- and four-wheelers and stationary applications. Secured commitments ranging from MoUs to pack production and binding agreements (Hyundai). Engaged with leading two-wheeler, three-wheeler, and four-wheeler OEMs, with some pack manufacturing currently using imported cells. The company anticipates a 120-130GWh Indian lithium-ion cell market by 2030F, driven by EV and stationary storage demand (80GWh incremental storage for grid-connected solar, from policy change for a two-hour back-up facility). Expects government policy to shift towards incentivizing local cell manufacturing once the domestic capacity scales up from FY28F.
- **Financial and operational performance:** In **4QFY25:** 75% of the business, including mobility aftermarket, solar, and industrial UPS, recorded double-digit growth. However, weak demand in auto OEMs, telecom, and home inverters led to an overall 4% yoy and 8% qoq sales growth in 4Q. **In FY25,** 70% of the business performed strongly, while 30% faced demand challenges, particularly in telecom (-25%) and home inverters. EBITDA was impacted by a sharp rise in antimony prices (from US\$11,000 to US\$16,000/t in 4Q), resulting in a Rs500m negative impact. Additionally, Rs250 was written off for slow and non-moving assets.
- **Manufacturing upgrades:** Adopted Punch Grid technology for two-wheeler batteries, improving raw material costs, manpower efficiency, and quality consistency. Full capacity transition is expected by Nov 2025F. Implemented continuous casting process with its US partner East Penn, enhancing quality and cost efficiency, with additional lines planned by the year-end.
- **Export business:** Successfully exported the first batch of advanced AGM batteries for SLI applications in 4Q. Automobile exports grew 25%-30%, but industrial battery exports to Europe declined due to recessionary pressure.
- **Organizational restructuring:** Transitioned from an SBU-led to a functional organization, segregating mobility and reserve power businesses. This allows home inverters to develop an independent network, complementing the existing automotive channel.
- **Go-to-market strategy for home inverters:** Launched the RP Home series, targeting new channels like e-commerce and white goods, aiming to recapture market share. Shifted focus to tubular batteries, discontinuing margin-dilutive flat plate inverters.

**Figure 1: Results comparison**

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY25	qoq % chg	FY25	FY24	yoy % chg	Comments for the quarter
Revenue	41,594	40,094	3.7	38,486	8.1	1,65,881	1,60,292	3.5	13% below our estimate.
Raw material costs	28,604	26,860	6.5	26,178	9.3	1,13,891	1,10,684	2.9	
RM costs as a % of revenue	68.8	67.0	177.6	68.0	75.1	68.7	69.1	(39.3)	87bp above our estimate.
EBITDA	4,667	5,162	(9.6)	4,486	4.0	18,932	18,714	1.2	20% below our estimate.
<b>EBITDA margin (%)</b>	<b>11.2</b>	<b>12.9</b>	<b>(165.3)</b>	<b>11.7</b>	<b>(43.5)</b>	<b>11.4</b>	<b>11.7</b>	<b>(26.2)</b>	103bp below our estimate.
Depreciation & amortization	1,268	1,248	1.6	1,244	1.9	5,039	4,975	1.3	
EBIT	3,399	3,913	(13.1)	3,241	4.9	13,892	13,740	1.1	
Interest expenses	130	128	1.2	120	8.5	439	486	(9.7)	43% above our estimate.
Other income	161	34	367.9	132	22.1	962	845	13.7	6% below our estimate
Pre-tax profit	3,430	3,819	(10.2)	3,253	5.4	14,415	14,099	2.2	
Tax	884	982	(10.0)	803	10.0	3,646	3,569	2.1	
Tax rate (%)	25.8	25.7	6	24.7	108.0	25	25	(3)	
<b>Normalized net profit</b>	<b>2,546</b>	<b>2,838</b>	<b>(10.3)</b>	<b>2,450</b>	<b>3.9</b>	<b>10,770</b>	<b>10,530</b>	<b>2.3</b>	21% below our estimate.
Reported net profit	2,546	2,838	(10.3)	2,450	3.9	10,770	10,530	2.3	
Normalized EPS (Rs)	3.0	3.3	(10.3)	2.9	3.9	12.7	12.4	2.3	
Reported EPS (Rs)	3.0	3.3	(10.3)	2.9	3.9	12.7	12.4	2.3	

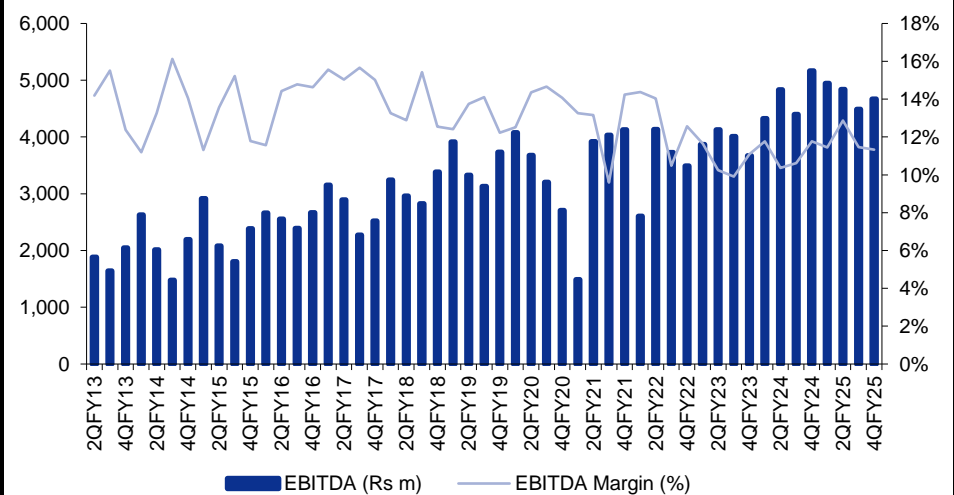
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Sales growth slowdown prevails**



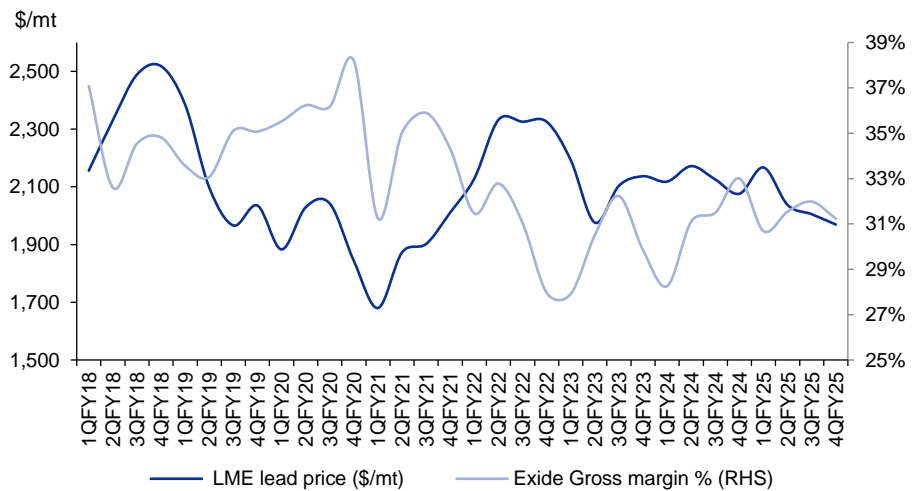
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: EBITDA margin saw a sequential decline**



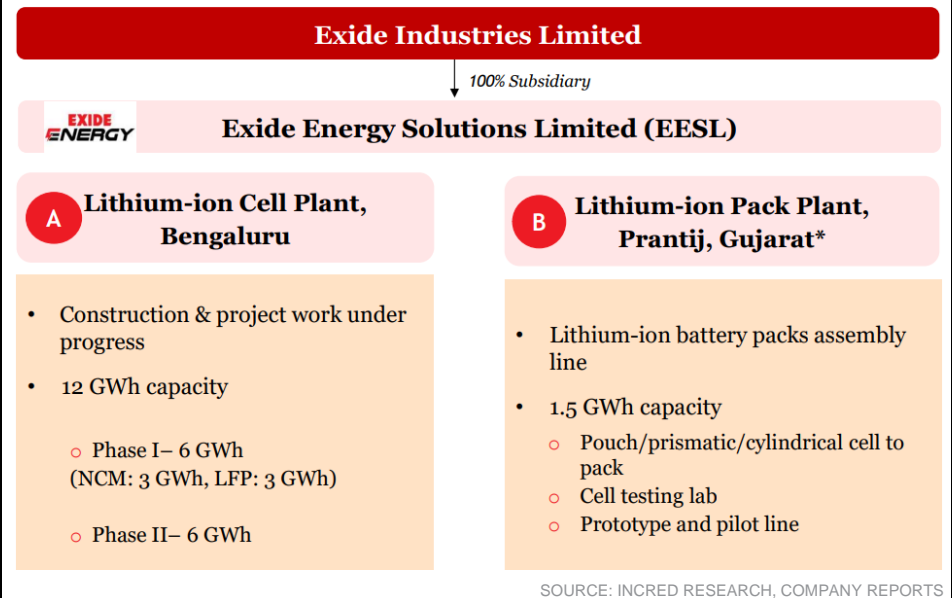
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Sequential weakness in lead prices provides comfort**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Lithium-ion manufacturing plant details**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Our revised earnings estimates**

Rs m	FY26F		FY27F	
	Old	New	Old	New
Net sales	1,90,908	1,82,755	2,09,951	2,02,776
Change (%)		-4.3%		-3.4%
EBITDA	23,228	21,602	25,771	24,509
Change (%)		-7.0%		-4.9%
EBITDA margin	12.2%	11.8%	12.3%	12.1%
Change (bp)		-35		-19
PAT	13,358	12,252	14,968	14,117
Change (%)		-8.3%		-5.7%
EPS (Rs)	15.72	14.41	17.61	16.61
Change (%)		-8.3%		-5.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Key assumptions (Rs m)**

	FY23	FY24	FY25	FY26F	FY27F	FY28F
<b>Gross Revenue</b>						
4W OEM	14,709	16,053	16,538	17,457	19,409	22,064
% Growth	31%	9%	3%	6%	11%	14%
4W Replacement	59,651	64,074	71,891	80,996	90,878	1,00,111
% Growth	13%	7%	12%	13%	12%	10%
2W OEM	9,173	10,192	11,069	12,297	13,855	15,545
% Growth	12%	11%	9%	11%	13%	12%
2W Replacement	22,317	23,784	24,988	27,271	29,748	32,911
% Growth	12%	7%	5%	9%	9%	11%
<b>Total Auto</b>	<b>1,05,850</b>	<b>1,14,103</b>	<b>1,24,485</b>	<b>1,38,022</b>	<b>1,53,889</b>	<b>1,70,632</b>
% Growth	15%	8%	9%	11%	11%	11%
<b>Industrial</b>	<b>39,398</b>	<b>45,449</b>	<b>40,595</b>	<b>43,833</b>	<b>47,887</b>	<b>53,604</b>
% Growth	24%	15%	-11%	8%	9%	12%

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	15x 1 year forward P/E		16.61	249
Holding in HDFC Life	Market value post 20% holding discount	49,147	72.3	57.8
Exide Energy Solution	1x investment cost	36,022	42.4	42.4
<b>SOTP value of Exide Industries</b>				<b>349</b>

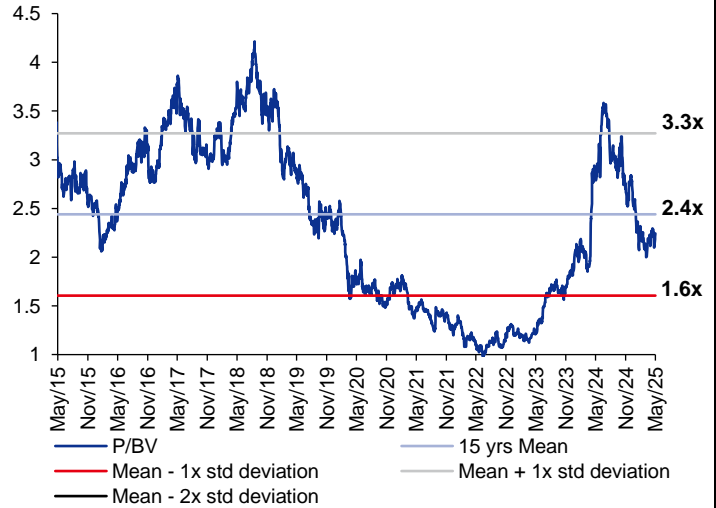
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: Forward P/E valuation above the 10-year mean level**



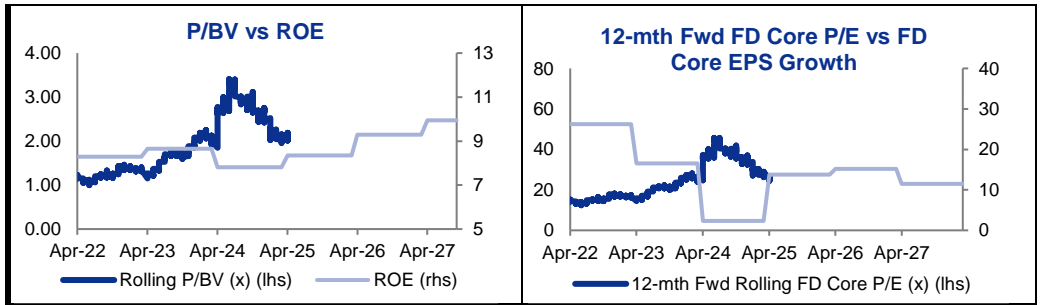
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Net Revenues</b>	<b>160,292</b>	<b>165,881</b>	<b>182,755</b>	<b>202,776</b>	<b>225,235</b>
<b>Gross Profit</b>	<b>49,609</b>	<b>51,991</b>	<b>59,013</b>	<b>66,108</b>	<b>73,001</b>
<b>Operating EBITDA</b>	<b>18,714</b>	<b>18,932</b>	<b>21,602</b>	<b>24,509</b>	<b>26,935</b>
Depreciation And Amortisation	(4,975)	(5,039)	(5,815)	(6,368)	(6,801)
<b>Operating EBIT</b>	<b>13,740</b>	<b>13,892</b>	<b>15,787</b>	<b>18,141</b>	<b>20,135</b>
Financial Income/(Expense)	(486)	(439)	(500)	(450)	(400)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	845	962	1,048	1,132	1,245
<b>Profit Before Tax (pre-EI)</b>	<b>14,099</b>	<b>14,415</b>	<b>16,336</b>	<b>18,823</b>	<b>20,980</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>14,099</b>	<b>14,415</b>	<b>16,336</b>	<b>18,823</b>	<b>20,980</b>
Taxation	(3,569)	(3,646)	(4,084)	(4,706)	(5,245)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>10,530</b>	<b>10,770</b>	<b>12,252</b>	<b>14,117</b>	<b>15,735</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>10,530</b>	<b>10,770</b>	<b>12,252</b>	<b>14,117</b>	<b>15,735</b>
Recurring Net Profit	10,530	10,770	12,252	14,117	15,735
<b>Fully Diluted Recurring Net Profit</b>	<b>10,530</b>	<b>10,770</b>	<b>12,252</b>	<b>14,117</b>	<b>15,735</b>

### Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	<b>18,714</b>	<b>18,932</b>	<b>21,602</b>	<b>24,509</b>	<b>26,935</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	5,331	(3,671)	(922)	(1,796)	(2,521)
(Incr)/Decr in Total Provisions	(37)	2,525	480	705	745
Other Non-Cash (Income)/Expense	1,591	86			
Other Operating Cashflow					
Net Interest (Paid)/Received	360	523	548	682	845
Tax Paid	(3,864)	(3,868)	(3,594)	(4,141)	(4,616)
<b>Cashflow From Operations</b>	<b>22,094</b>	<b>14,527</b>	<b>18,115</b>	<b>19,959</b>	<b>21,389</b>
Capex	(6,132)	(4,505)	(3,435)	(5,500)	(4,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(8,347)	(5,107)	(5,250)	(5,250)	(10,250)
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(14,479)</b>	<b>(9,612)</b>	<b>(8,685)</b>	<b>(10,750)</b>	<b>(14,250)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,950)	(6,375)	(7,650)	(8,500)	(8,500)
Preferred Dividends					
Other Financing Cashflow	(22)	50	50	50	50
<b>Cash Flow From Financing</b>	<b>(5,972)</b>	<b>(6,325)</b>	<b>(7,600)</b>	<b>(8,450)</b>	<b>(8,450)</b>
Total Cash Generated	1,643	(1,410)	1,829	759	(1,311)
<b>Free Cashflow To Equity</b>	<b>7,615</b>	<b>4,915</b>	<b>9,429</b>	<b>9,209</b>	<b>7,139</b>
<b>Free Cashflow To Firm</b>	<b>8,101</b>	<b>5,354</b>	<b>9,929</b>	<b>9,659</b>	<b>7,539</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	2,227	1,159	3,007	3,816	2,555
Total Debtors	14,644	16,485	17,523	18,878	20,330
Inventories	32,493	38,274	40,056	42,777	45,664
Total Other Current Assets	2,561	2,419	2,600	2,750	2,900
<b>Total Current Assets</b>	<b>51,925</b>	<b>58,337</b>	<b>63,186</b>	<b>68,221</b>	<b>71,449</b>
Fixed Assets	29,001	28,320	27,756	26,887	24,087
Total Investments	86,206	99,719	104,719	109,719	119,719
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>115,207</b>	<b>128,040</b>	<b>132,475</b>	<b>136,607</b>	<b>143,806</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	23,199	28,431	30,042	32,222	33,940
Other Current Liabilities	10,312	10,653	11,186	11,745	12,333
<b>Total Current Liabilities</b>	<b>33,511</b>	<b>39,084</b>	<b>41,228</b>	<b>43,967</b>	<b>46,272</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	3,917	4,683	5,408	6,218	7,106
<b>Total Liabilities</b>	<b>37,428</b>	<b>43,768</b>	<b>46,636</b>	<b>50,185</b>	<b>53,378</b>
Shareholders Equity	131,372	144,423	149,025	154,642	161,877
Minority Interests					
<b>Total Equity</b>	<b>131,372</b>	<b>144,423</b>	<b>149,025</b>	<b>154,642</b>	<b>161,877</b>

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	9.8%	3.5%	10.2%	11.0%	11.1%
Operating EBITDA Growth	19.3%	1.2%	14.1%	13.5%	9.9%
Operating EBITDA Margin	11.7%	11.4%	11.8%	12.1%	12.0%
Net Cash Per Share (Rs)	2.62	1.36	3.54	4.49	3.01
BVPS (Rs)	154.56	169.91	175.32	181.93	190.44
Gross Interest Cover	28.28	31.65	31.57	40.31	50.34
Effective Tax Rate	25.3%	25.3%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	56.5%	59.2%	62.4%	60.2%	54.0%
Accounts Receivables Days	28.91	31.27	32.25	30.87	29.90
Inventory Days	102.86	113.40	115.52	110.61	106.02
Accounts Payables Days	63.58	82.73	86.24	83.14	79.32
ROIC (%)	28.0%	30.7%	34.0%	38.8%	42.5%
ROCE (%)	11.0%	9.8%	10.4%	11.5%	12.2%
Return On Average Assets	7.2%	6.3%	6.7%	7.3%	7.7%

### Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Unit sales grth (% , main prod./serv.)	6.3%	5.7%	8.7%	9.5%	9.2%
Unit sales grth (% ,2ndary prod/serv)	15.4%	(10.7%)	8.0%	9.2%	11.9%

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.