

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USD\$)	126.6 / 1.7
52-Week Range (INR)	203 / 139
1, 6, 12 Rel. Per (%)	1/-10/-33
12M Avg Val (INR M)	628

Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Net Sales	123.8	140.7	154.0
EBITDA	14.0	15.9	19.0
Adj. PAT	8.4	9.0	11.0
Adj. EPS (INR)	9.9	10.6	12.9
EPS Gr. (%)	10.7	7.6	21.6
BV/Sh. (INR)	124.8	132.2	141.9

Ratio

RoE (%)	7.9	8.0	9.1
RoCE (%)	10.0	8.5	9.6
Payout (%)	32.4	30.1	24.8

Valuations

P/E (x)	15.1	14.0	11.5
P/BV (x)	1.2	1.1	1.0
Div Yield (%)	2.1	2.1	2.1
FCF Yield (%)	-4.5	8.6	7.7

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	46.0	46.0	46.0
DII	19.2	20.6	24.6
FII	10.1	9.6	12.0
Others	24.7	23.8	17.5

FII Includes depository receipts

CMP: INR149 TP: INR190 (+28%) Buy

Mixed bag; strong revenue growth, but margin weak

To invest in Li-ion cell manufacturing without PLI incentive

- EXID's performance was impacted by higher RM cost inflation, but the same was partially offset by operating leverage. We expect a sustained recovery, led by a recovery in OEMs and aftermarket growth, with a shift to the organized from the unorganized segment. The company is setting up a greenfield multi-gigawatt hour Li-ion manufacturing facility, based on its technical agreement with SVOLT, despite failing to secure a PLI incentive.
- We maintain our EPS estimates, but have reduced our target multiple to 12x from 14x to account for the increasing threat posed by EVs and lack of PLI incentive in its Li-ion cell manufacturing facility, which will put it at a relative disadvantage.

Operating leverage partially offsets cost inflation

- Revenue grew 16% YoY to INR34.1b, while EBITDA/PAT fell 15%/ 8% YoY to INR3.5b/INR2.25b in 4QFY22. The same grew 23%/3%/ 11% YoY in FY22.
- Of the 16%/23% YoY growth in 4Q/FY22, price hikes contributed 7-8%/5-6% to this growth.
- Gross margin contracted by 310bp QoQ (-630bp YoY) to 28% (est. 31%) due to RM cost inflation in lead and other input cost. The mix would have deteriorated with a recovery in OEM volumes.
- EBITDA margin contracted by 380bp YoY (-140bp QoQ) to 10.2% (est. 11.1%) on lower gross margin, but was offset by operating leverage. EBITDA declined by 15% YoY to INR3.5b (in line).
- Adjusted PAT fell 8% YoY and 10% QoQ to ~INR2.25b (est. ~INR1.9b).
- There was an extraordinary gain of INR47b on account of the sale of its Insurance business.
- CFO fell to INR122m in FY22, impacted by weaker operating performance as well as an adverse working capital swing (of INR6.6b). Capex stood at INR5.8b in FY22 (v/s INR3.4b in FY21). FCFF stood at a negative INR5.7b v/s a positive INR10.75b in FY21.

Highlights from the management interaction

- EXID has set up a wholly-owned subsidiary – Exide Energy Solutions, which will house its greenfield multi-gigawatt hour Li-ion cell manufacturing facility. It is in advanced talks for procuring a land parcel in Karnataka.
- Margin was impacted by high RM cost inflation, and fuel and freight costs.
- Margin is expected to improve on the back of various initiatives in digitization and Industry 4.0.
- Volumes in the Automotive vertical have grown in double-digits, led by initiatives in both trade sales and services.

- Demand for Industrial UPS batteries continues to remain strong as vis-à-vis 4QFY21. Solar, Railways, and Infrastructure verticals have registered excellent YoY volume growth in 4QFY22.
- Exports have grown by 50% in FY22. EXID is expected to boost its export presence in both the Automotive and Industrial verticals.

Valuation and view

- EXID will see a lower impact of lead price inflation given its captive smelter. It should have a better mix, led by a higher aftermarket share. We prefer EXID as it offers a superior risk-reward, given its market leadership, technological alliances, backward integration, better mix, and a strong Balance Sheet after the sale of its Insurance business to support the new Li-ion cell plant.
- Lithium batteries pose a risk to 2W and 3W segments (~15% of revenue) and the Industrial segment (~26%).\
- The stock trades at 14x/11.5x FY23E/FY24E standalone EPS. Valuing it ~12x standalone Mar'24E EPS and INR34/share for its stake in HDFCLIFE (at a 40% holding company discount), we maintain our Buy rating with a TP of ~INR190 per share.

Standalone quarterly performance

Y/E March	(INR m)										
	FY21				FY22				FY21	FY22	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Sales	15,476	27,534	28,010	29,388	24,864	32,900	31,967	34,086	1,00,408	1,23,817	31,243
Growth YoY (%)	-44.3	5.5	16.2	43.0	60.7	19.5	14.1	16.0	1.9	23.3	6.3
RM (%)	68.8	65.0	64.1	65.7	68.5	67.2	69.0	72.0	65.5	69.3	69.0
Employee cost (%)	9.0	6.9	7.4	6.3	7.4	6.5	6.4	5.6	7.2	6.4	6.7
Other Exp. (%)	12.6	13.9	14.1	14.0	13.6	13.8	13.0	12.2	13.8	13.1	13.3
EBITDA	1,485	3,920	4,028	4,123	2,606	4,134	3,726	3,490	13,556	13,956	3,470
EBITDA Margin (%)	9.6	14.2	14.4	14.0	10.5	12.6	11.7	10.2	13.5	11.3	11.1
Change (%)	-63.6	6.8	25.9	52.6	75.5	5.4	-7.5	-15.4	-0.7	3.0	-16
Non-Operating Income	70	148	201	235	152	109	150	392	654	803	161
Interest	14	63	76	85	109	86	83	106	238	384	82
Depreciation	914	953	953	974	1,009	1,012	1,041	1,065	3,794	4,126	1,045
PBT after EO Exp.	627	3,052	3,200	3,300	1,640	3,145	2,753	49,649	10,179	57,186	2,504
Effective Tax Rate (%)	29.9	25.0	24.6	26.0	23.5	25.5	25.8	17.0	25.5	18.1	24.3
Adj. PAT	440	2,288	2,414	2,441	1,254	2,344	2,041	2,250	7,583	8,394	1,895
Change (%)	-80.4	-3.6	13.2	45.3	185.4	2.4	-15.5	-7.8	-10.0	10.7	-22.4

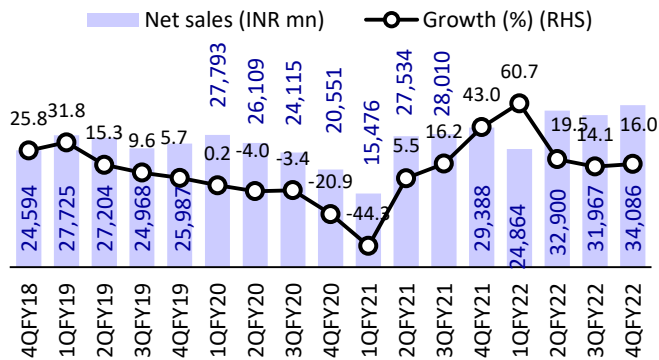
Key performance indicators

Cost break-up											
RM (%)	68.8	65.0	64.1	65.7	68.5	67.2	69.0	72.0	65.5	69.3	69.0
Employee cost (%)	9.0	6.9	7.4	6.3	7.4	6.5	6.4	5.6	7.2	6.4	6.7
Other Exp. (%)	12.6	13.9	14.1	14.0	13.6	13.8	13.0	12.2	13.8	13.1	13.3
Gross Margin (%)	31.2	35.0	35.9	34.3	31.5	32.8	31.0	28.0	34.5	30.7	31.0
EBITDA Margin (%)	9.6	14.2	14.4	14.0	10.5	12.6	11.7	10.2	13.5	11.3	11.1
EBIT Margin (%)	3.7	10.8	11.0	10.7	6.4	9.5	8.4	7.1	9.7	7.9	7.8
Lead Price (INR/Kg)	127.4	139.2	140.3	146.7	156.2	172.8	174.3	175.0	138.4	169.6	245.0
Change (%)	-2.8	-2.5	-3.6	9.9	22.6	24.1	24.3	19.3	0.1	22.5	61.3

E: MOFSL estimates

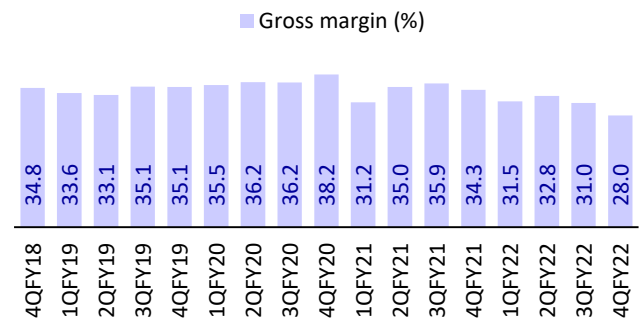
Key exhibits

Exhibit 1: Trend in revenue and growth



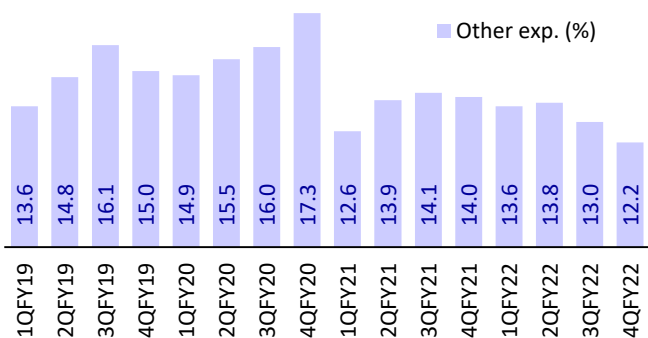
Source: Company, MOFSL

Exhibit 2: Trend in gross margin



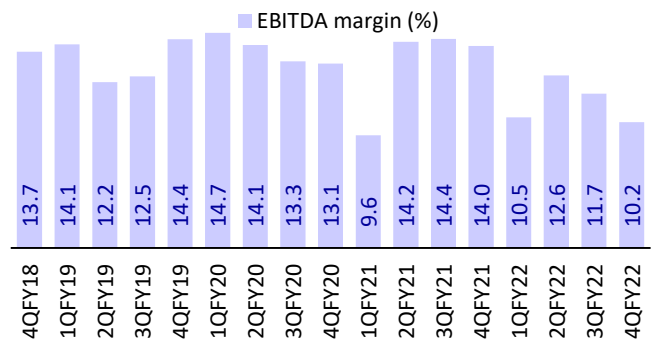
Source: Company, MOFSL

Exhibit 3: Trend in other expense as a percentage of sales



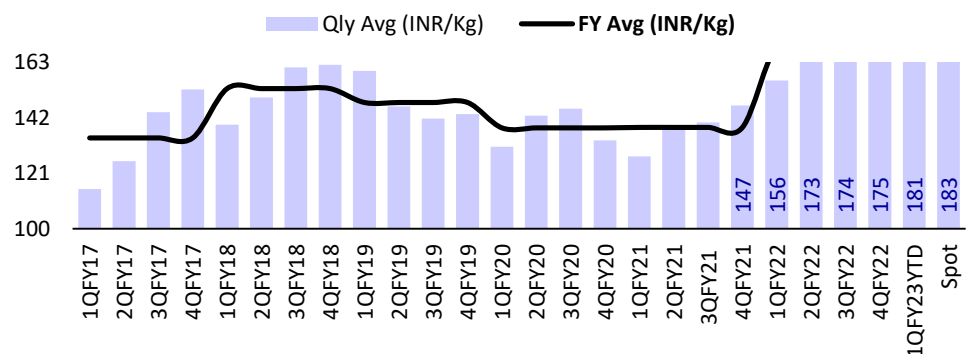
Source: Company, MOFSL

Exhibit 4: Trend in EBITDA margin



Source: Company, MOFSL

Exhibit 5: Spot lead prices to remain elevated in the near term



Source: Company, MOFSL

Valuation and view

- **Industry structure remains duopoly; EXID leads:** While the industry structure remains largely a duopoly, EXID is the largest lead acid battery manufacturer in India, with leadership in auto OEMs and the Replacement segment. EXID has largely caught up with competitors by investing in technology and being more proactive in customer service and plugging the gaps in its product portfolio.
- **EXID to defend top position:** With a demand recovery in Auto OEMs and the Industrial segment, EXID should improve its market share. OEM demand saw a

strong recovery by the end of Jun'21, after the gradual opening of markets that were shut due to localized lockdowns imposed by states. We expect value migration from unorganized to organized players, such as EXID and AMRJ, in the Replacement segment, driven by tax reforms such as GST and lower corporate tax rates. Healthy replacement demand would lead to better capacity utilization and margins.

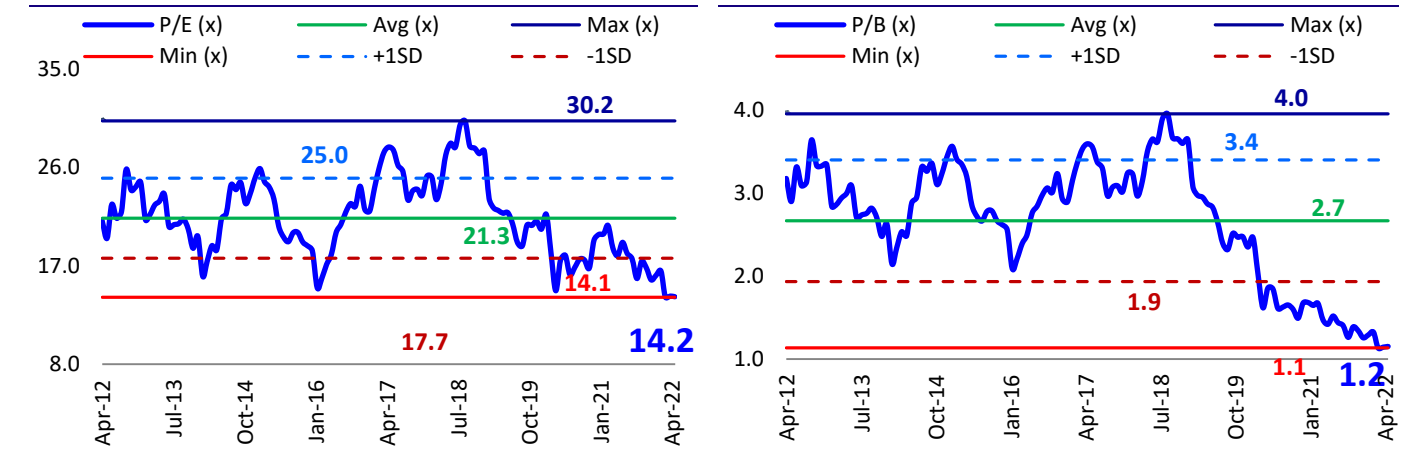
- **Electrification of 2Ws/3Ws a risk for lead acid battery players:** The government is pushing for the electrification of 3Ws/2Ws from CY23/CY25. The incentives offered by the government (FAME-2), coupled with the recently announced EV policies of the states, have brought e-2W prices almost at similar levels as its ICE counterparts. Unlike e-cars, e-2Ws/e-3Ws do not require a lead acid battery as an auxiliary battery. This would impact 15–20% of the revenue of lead acid battery players. Lithium further poses a risk to industrial batteries (~26% of revenue). Some concrete steps in this direction would potentially lead to the de-rating of the P/E multiple (due to decline in terminal growth).
- **Stake sale in the Insurance business boosts EXID's balance sheet:** Over INR60b worth of stake in HDFC Life would be at its disposal after a lock-in period of one year. With EXID possibly looking to invest in lithium-ion cell manufacturing under the PLI scheme, this monetization of the Insurance business could not have come at a better time.
- **Valuation and view:** We maintain our EPS estimates, but have reduced our target multiple from 14x to 12x to account for the increasing threat of EVs and lack of PLI incentive in Li-ion cell manufacturing which would put it at a relative disadvantage. EXID would see a lesser impact of lead prices inflation (v/s AMRJ) due to its captive smelter. EXID should have a better mix owing to a higher aftermarket share. We prefer EXID as it offers a superior risk-reward considering its market leadership, technological alliances, backward integration, better mix, and sizable war chest available to support the new proposed Li-ion cell plant. The stock trades at 14x/11.5x FY23E/FY24E standalone EPS. Valuing it at ~12x standalone Mar'24E EPS + INR34/share for a stake in HDFC Life Insurance (at a 40% holding company discount), we maintain our Buy rating with TP of ~INR190 per share.

Exhibit 6: Revisions to our estimates

(INR m)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,40,682	1,37,940	2.0	1,54,039	1,51,011	2.0
EBITDA Margin (%)	11.3	11.4	-10bp	12.3	12.4	-10bp
PAT	9,030	8,984	0.5	10,981	10,729	2.4
EPS (Rs)	10.6	10.6	0.5	12.9	12.6	2.4

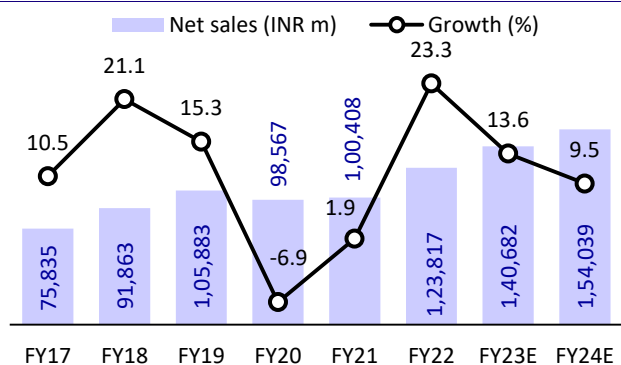
Source: MOFSL

Exhibit 7: Valuations – P/E and P/B trading bands



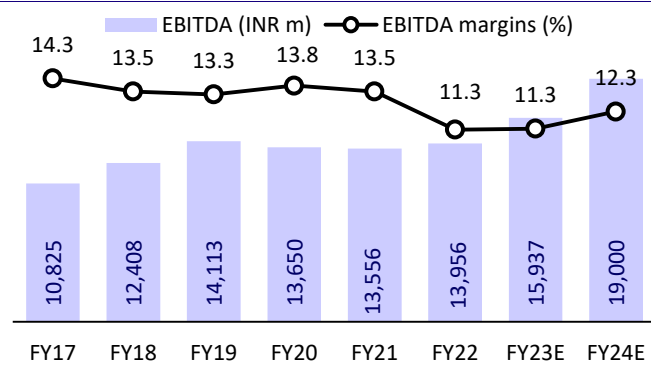
Story in charts

Exhibit 8: Trend in revenue and growth



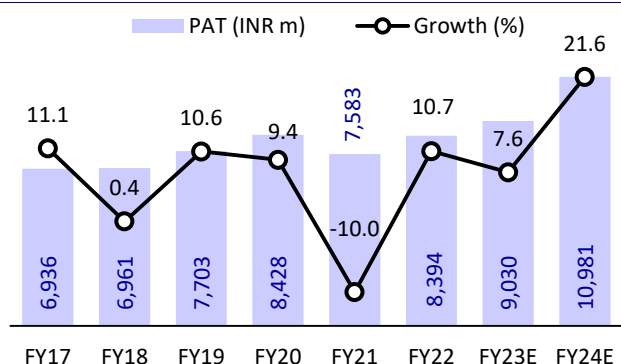
Source: Company, MOFSL

Exhibit 9: Trend in EBITDA and EBITDA margin



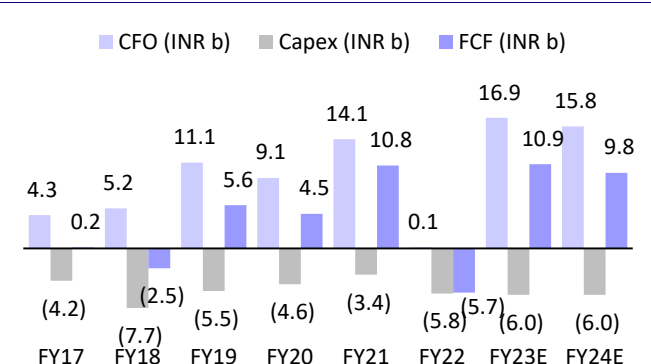
Source: Company, MOFSL

Exhibit 10: PAT and PAT growth trends



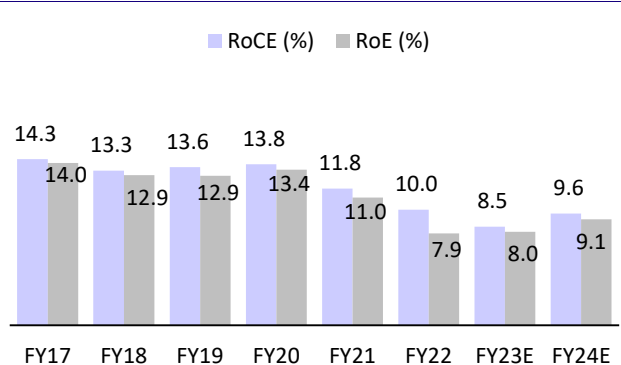
Source: Company, MOFSL

Exhibit 11: Strong FCF driven by healthy CFO



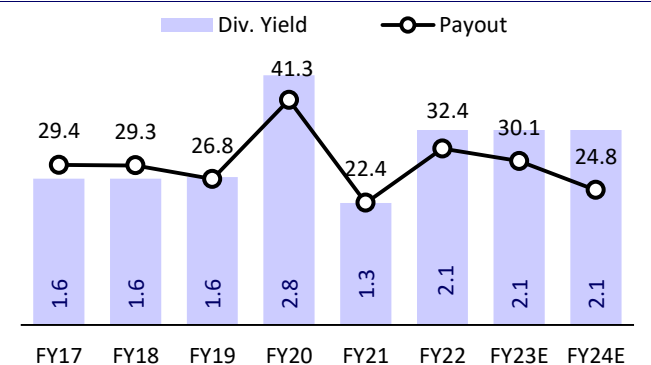
Source: Company, MOFSL

Exhibit 12: Trend in return ratios



Source: Company, MOFSL

Exhibit 13: Dividend yield and dividend payout (%) trends



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	75,835	91,863	1,05,883	98,567	1,00,408	1,23,817	1,40,682	1,54,039
Change (%)	10.7	21.1	15.3	-6.9	1.9	23.3	13.6	9.5
Total Expenditure	65,010	79,456	91,770	84,916	86,852	1,09,860	1,24,745	1,35,039
EBITDA	10,825	12,408	14,113	13,651	13,557	13,957	15,938	19,001
EBITDA Margins (%)	14.3	13.5	13.3	13.8	13.5	11.3	11.3	12.3
Change (%)	5.7	14.6	13.7	-3.3	-0.7	3.0	14.2	19.2
Depreciation	2,063	2,459	3,135	3,626	3,794	4,126	4,662	5,243
EBIT	8,762	9,948	10,978	10,025	9,763	9,831	11,275	13,758
Interest Charges	43	52	61	94	238	384	300	300
Other Income	1,039	584	385	639	654	803	1,065	1,283
EO Exp/(Inc)	-	418	(1,083)	217	-	(46,938)	-	-
PBT	9,757	10,062	12,386	10,352	10,179	57,186	12,039	14,740
Tax	2,821	3,378	3,945	2,097	2,596	10,351	3,009	3,759
Effective Rate (%)	28.9	33.6	31.9	20.3	25.5	18.1	25.0	25.5
Rep. PAT	6,936	6,683	8,440	8,255	7,583	46,835	9,030	10,981
Change (%)	11.1	-3.6	26.3	-2.2	-8.1	517.7	-80.7	21.6
Adj. PAT	6,936	6,961	7,703	8,428	7,583	8,394	9,030	10,981
Change (%)	11.1	0.4	10.6	9.4	-10.0	10.7	7.6	21.6

Balance Sheet							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	850	850	850	850	850	850	850	850
Reserves	48,786	53,043	59,020	62,111	68,085	1,05,206	1,11,516	1,19,777
Net Worth	49,636	53,893	59,870	62,961	68,935	1,06,056	1,12,366	1,20,627
Loans	1,702	0	0	0	0	0	0	0
Deferred Tax Liability	1,552	1,405	1,751	1,019	771	-584	-223	220
Capital Employed	52,890	55,298	61,621	63,980	69,706	1,05,472	1,12,144	1,20,847
Application of Funds								
Gross Fixed Assets	19,058	25,588	32,069	36,039	42,740	48,173	54,297	60,297
Less: Depreciation	3,598	6,005	9,097	12,645	16,361	20,487	25,150	30,392
Net Fixed Assets	15,460	19,583	22,973	23,394	26,379	27,686	29,147	29,904
Capital WIP	1,414	2,335	2,549	2,969	2,008	3,124	3,000	3,000
Investments	26,755	19,690	21,994	21,050	30,924	60,765	67,793	67,793
Curr.Assets	24,143	32,361	34,208	35,008	36,978	41,273	43,631	54,310
Inventory	15,274	17,602	18,040	21,923	23,462	24,585	23,897	26,166
Sundry Debtors	6,217	9,434	10,812	8,154	8,875	11,925	13,490	14,771
Cash & Bank Balances	196	872	736	1,546	914	1,612	2,380	9,143
Loans & Advances	235	272	322	322	383	223	536	587
Other Current Assets	2,222	4,181	4,299	3,064	3,345	2,929	3,328	3,644
Current Liab. & Prov.	14,881	18,671	20,103	18,441	26,582	27,376	31,505	34,238
Sundry Creditors	7,679	10,787	11,428	10,361	16,483	16,175	18,379	20,124
Other Liabilities	4,556	5,091	5,539	4,478	6,856	8,009	8,479	9,285
Provisions	2,647	2,793	3,136	3,602	3,244	3,191	4,647	4,830
Net Current Assets	9,262	13,690	14,105	16,567	10,396	13,898	12,126	20,072
Application of Funds	52,890	55,298	61,621	63,980	69,706	1,05,472	1,12,066	1,20,769

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	8.2	8.2	9.1	9.9	8.9	9.9	10.6	12.9
Cash EPS	10.6	11.1	12.8	14.2	13.4	14.7	16.1	19.1
Book Value per Share	58.4	63.4	70.4	74.1	81.1	124.8	132.2	141.9
DPS	2.4	2.4	2.4	4.1	2.0	3.2	3.2	3.2
Payout (Incl. Div. Tax) %	29.4	29.3	26.8	41.3	22.4	32.4	30.1	24.8
Valuation (x)								
P/E	18.2	18.2	16.4	15.0	16.7	15.1	14.0	11.5
Cash P/E	14.1	13.4	11.7	10.5	11.1	10.1	9.2	7.8
EV/EBITDA	9.4	8.5	7.4	7.6	7.0	4.6	3.5	2.6
EV/Sales	1.3	1.2	1.0	1.1	0.9	0.5	0.4	0.3
Price to Book Value	2.5	2.3	2.1	2.0	1.8	1.2	1.1	1.0
Dividend Yield (%)	1.6	1.6	1.6	2.8	1.3	2.1	2.1	2.1
Profitability Ratios (%)								
RoE	14.0	12.9	12.9	13.4	11.0	7.9	8.0	9.1
RoCE	14.3	13.3	13.6	13.8	11.8	10.0	8.5	9.6
RoIC	29.4	23.2	21.8	21.4	19.6	21.2	21.4	25.7
Turnover Ratios								
Debtors (Days)	30	37	37	30	32	35	35	35
Inventory (Days)	74	70	62	81	85	72	62	62
Creditors (Days)	37	43	39	38	60	48	48	48
Working Capital (Days)	66	65	60	73	58	60	49	49
Gross Fixed Asset Turnover (x)	4.0	3.6	3.3	2.7	2.3	2.6	2.6	2.6
Leverage Ratio								
Net Debt/Equity (x)	-0.2	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1

Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)								
OP/(Loss) before Tax	9,757	10,062	12,386	10,352	10,179	57,186	11,274	13,757
Interest/Dividends Received	-898	-358	-217	-429	-362	-224	1,065	1,283
Depreciation & Amortisation	2,063	2,459	3,135	3,626	3,794	4,126	4,662	5,243
Direct Taxes Paid	-2,812	-3,503	-3,733	-2,494	-2,721	-10,475	-2,648	-3,316
(Inc)/Dec in Working Capital	-3,840	-3,563	-468	-2,155	3,044	-3,525	2,540	-1,184
Other Items	41	69	18	237	200	-46,966	0	0
CF from Oper. Activity	4,311	5,166	11,121	9,137	14,134	122	16,894	15,782
(Inc)/Dec in FA+CWIP	-4,158	-7,714	-5,510	-4,646	-3,384	-5,812	-6,000	-6,000
Free Cash Flow	153	-2,548	5,611	4,491	10,750	-5,690	10,894	9,782
(Pur)/Sale of Invest.	1,086	7,433	-2,147	1,397	-9,385	8,542	-7,028	0
CF from Inv. Activity	-3,072	-280	-7,656	-3,249	-12,769	2,730	-13,028	-6,000
Interest Rec./ (Paid)	-37	-58	-61	-100	-289	-443	-300	-300
Dividends Paid	-2,417	-2,449	-2,459	-4,986	-1,700	-1,700	-2,720	-2,720
CF from Fin. Activity	-1,782	-4,209	-2,520	-5,086	-1,989	-2,143	-3,020	-3,020
Inc/(Dec) in Cash	-543	676	-138	802	-623	709	846	6,762
Add: Beginning Balance	738	196	785	647	1,449	826	1,534	2,380
Closing Balance	195	872	647	1,449	826	1,534	2,380	9,143

E: MOFSL estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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