

Estimate changes	↔
TP change	↔
Rating change	↔

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Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USD\$)	134.7 / 1.7
52-Week Range (INR)	203 / 130
1, 6, 12 Rel. Per (%)	5/-10/-18
12M Avg Val (INR M)	570

Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Net Sales	123.8	151.4	166.4
EBITDA	14.0	16.5	19.0
Adj. PAT	8.4	9.5	11.2
Adj. EPS (INR)	9.9	11.2	13.2
EPS Gr. (%)	10.7	12.9	18.0
BV/Sh. (INR)	124.8	132.7	142.7

Ratio

RoE (%)	7.9	8.4	9.2
RoCE (%)	10.0	8.9	9.8
Payout (%)	32.4	28.7	24.3

Valuations

P/E (x)	16.0	14.2	12.0
P/BV (x)	1.3	1.2	1.1
Div Yield (%)	2.0	2.0	2.0
FCF Yield (%)	-4.2	8.4	7.9

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	46.0	46.0	46.0
DII	17.8	19.2	23.3
FII	10.4	10.1	11.8
Others	25.8	24.7	18.9

FII Includes depository receipts

CMP: INR158 TP: INR200 (+26%) Buy

All-round beat powered by strong revenue growth

Acquires 80-acre land in Karnataka to manufacture Li-ion cell

- Exide (EXID)'s robust 1QFY23 performance was driven by strong revenue growth in both automotive and industrial segments. We expect a sustained recovery led by OEM revival and aftermarket growth, with a continuous shift from the unorganized to the organized segments.
- **We maintain our EPS estimates and BUY rating on the stock.**

Operating leverage partially offsets RM cost pressure

- EXID's 1QFY23 revenue/EBITDA/Adj. PAT grew 57%/48%/81% YoY to INR39b/INR3.9b/INR2.3b, respectively.
- Of the 57% YoY revenue growth in 1QFY23, price hikes contributed 8-10%.
- Gross margin contracted 360bp YoY (-10bp QoQ) to 27.9% (est. 31%) due to RM cost inflation in lead and other inputs.
- EBITDA margin too declined 60bp YoY (-30bp QoQ) to 9.9% (est. 10.4%) led by lower gross margin partly offset by operating leverage. EBITDA rose 48% YoY (11% QoQ) to INR3.9b (est. INR3.5b).
- Higher-than-estimated other income and lower interest led to adj. PAT growth of 80.5% YoY (flat QoQ) to ~INR2.3b (est. INR1.9b)

Highlights from the management interaction

- EXID posted strong volume growth across all segments in 1QFY23.
- Replacement market for automotive vertical was strong considering the low base of last year.
- Demand across industrial verticals was strong especially in the I-UPS, solar & power and projects segments. Strong demand was mainly supported by opening up of the economy post-Covid.
- FY23 capex would be similar to the depreciation for FY22.
- EXID has acquired an 80-acre land in Karnataka to manufacture Li-ion cell and the project is progressing as per desired timelines. **The first phase** will have a capacity of 3GWH, with a capex of INR20-30b, and will be completed over the next 27-30 months.

Valuation and view

- EXID would witness a lower impact of the lead price inflation because of its captive smelter. It should have a better mix, led by a higher aftermarket share.
- We prefer EXID as it offers superior risk-reward proposition considering its market leadership, technological alliances, backward integration, better mix, and strong balance sheet post the sale of the Insurance business to support its new Li-ion cell plant.
- Lithium batteries, however, pose a risk to the 2W/3W segments (~15% of revenue) and the Industrial segment (~26% of revenue).
- The stock trades at 14.2x/12.0x FY23E/FY24E standalone EPS. Valuing it at ~12x standalone Jun'24E EPS + INR34/share for a stake in HDFC Life Insurance (@ 40% Holdco discount), we arrive at our TP of ~INR200.
- **We maintain our BUY rating on the stock.**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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S/A Quarterly Performance

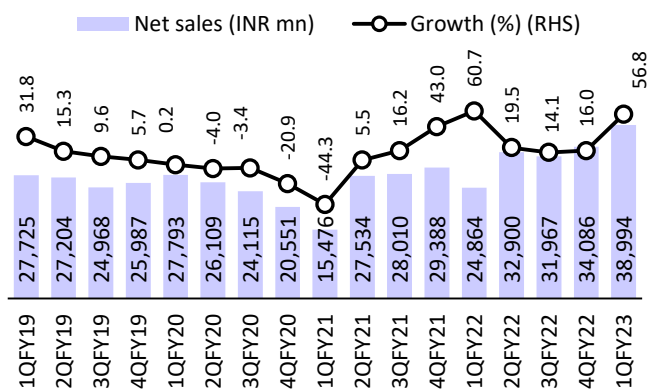
(INR m)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	24,864	32,900	31,967	34,086	38,994	36,848	36,761	38,814	1,23,817	1,51,417	33,566
Growth YoY (%)	60.7	19.5	14.1	16.0	56.8	12.0	15.0	13.9	23.3	22.3	35.0
Gross operating income	24,864	32,900	31,967	34,086	38,994	36,848	36,761	38,814	1,23,817	1,51,417	33,566
Growth YoY (%)	60.7	19.5	14.1	16.0	56.8	12.0	15.0	13.9	23.3	22.3	35
RM (%)	68.5	67.2	69.0	72.0	72.1	71.0	70.0	69.9	69.3	70.8	70.5
Employee cost (%)	7.4	6.5	6.4	5.6	5.5	5.8	5.8	5.7	6.4	5.7	6.1
Other Exp (%)	13.6	13.8	13.0	12.2	12.5	12.7	12.7	12.9	13.1	12.7	13.0
Total Cost	22,258	28,767	28,240	30,596	35,127	32,992	32,532	34,310	1,09,861	1,34,961	30,078
EBITDA	2,606	4,134	3,726	3,490	3,866	3,856	4,230	4,504	13,956	16,456	3,488
EBITDA Margin (%)	10.5	12.6	11.7	10.2	9.9	10.5	11.5	11.6	11.3	10.9	10.4
Change (%)	75.5	5.4	-7.5	-15.4	48.4	-6.7	13.5	29.1	3.0	17.9	34
Non-Operating Income	152	109	150	392	322	270	280	207	803	1,079	200
Interest	109	86	83	106	64	90	90	86	384	330	100
Depreciation	1,009	1,012	1,041	1,065	1,091	1,100	1,150	1,175	4,126	4,515	1,080
PBT after EO Exp	1,640	3,145	2,753	49,649	3,034	2,936	3,270	3,450	57,186	12,690	2,508
Effective Tax Rate (%)	23.5	25.5	25.8	17.0	25.4	25.3	25.3	25.2	18.1	25.3	25.0
Adj. PAT	1,254	2,344	2,041	2,250	2,263	2,193	2,442	2,580	8,394	9,479	1,881
Change (%)	185.4	2.4	-15.5	-7.8	80.5	-6.4	19.7	14.7	10.7	12.9	50.0
Key performance indicators											
Cost Break-up											
RM (%)	68.5	67.2	69.0	72.0	72.1	71.0	70.0	69.9	69.3	70.8	70.5
Employee cost (%)	7.4	6.5	6.4	5.6	5.5	5.8	5.8	5.7	6.4	5.7	6.1
Other Exp (%)	13.6	13.8	13.0	12.2	12.5	12.7	12.7	12.9	13.1	12.7	13.0
Gross Margin (%)	31.5	32.8	31.0	28.0	27.9	29.0	30.0	30.1	30.7	29.3	29.5
EBITDA Margin (%)	10.5	12.6	11.7	10.2	9.9	10.5	11.5	11.6	11.3	10.9	10.4
EBIT Margin (%)	6.4	9.5	8.4	7.1	7.1	7.5	8.4	8.6	7.9	7.9	7.2
Lead Price (INR/Kg)	156.2	172.8	174.3	175.0	0.0	0.0	0.0	0.0	169.6	137.3	0.0
Change (%)	22.6	24.1	24.3	19.3	-100.0	-100.0	-100.0	-100.0	22.5	-19.0	-100.0

E: MOFSL Estimates

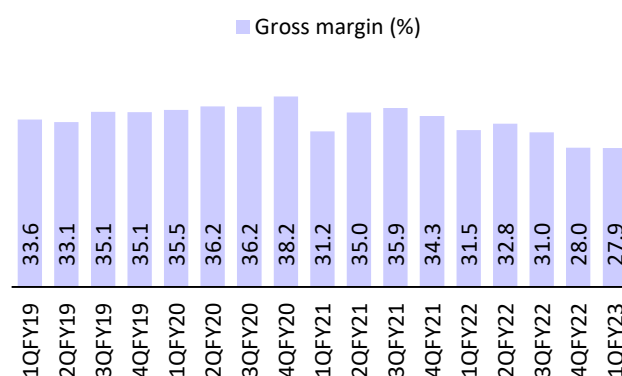
Key exhibits

Exhibit 1: Trend in revenue and growth



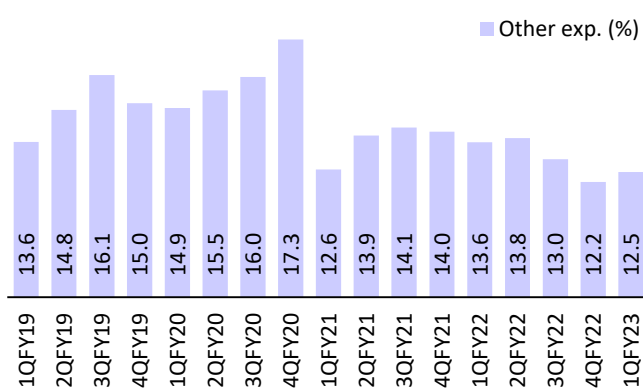
Source: Company, MOFSL

Exhibit 2: Trend in gross margin



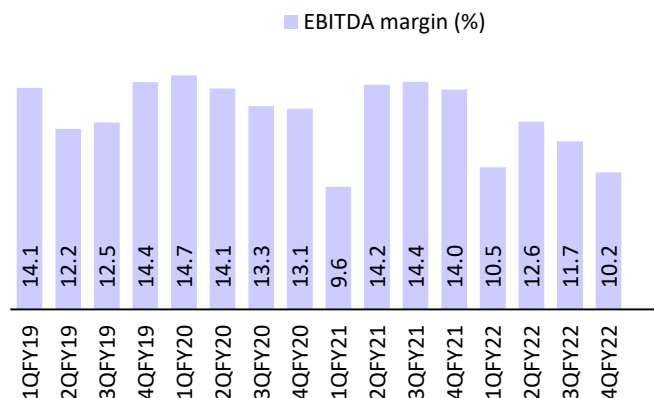
Source: Company, MOFSL

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



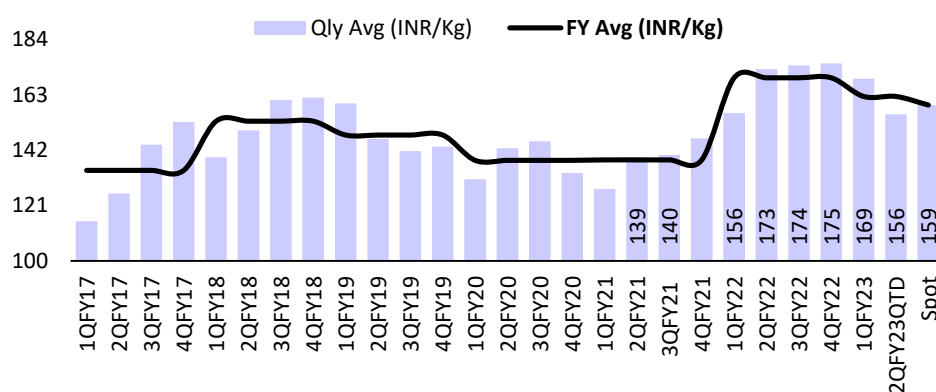
Source: Company, MOFSL

Exhibit 4: Trend in EBITDA margin



Source: Company, MOFSL

Exhibit 5: Lead prices are expected to soften from 2QFY23



Source: Company, MOFSL

Valuation and view

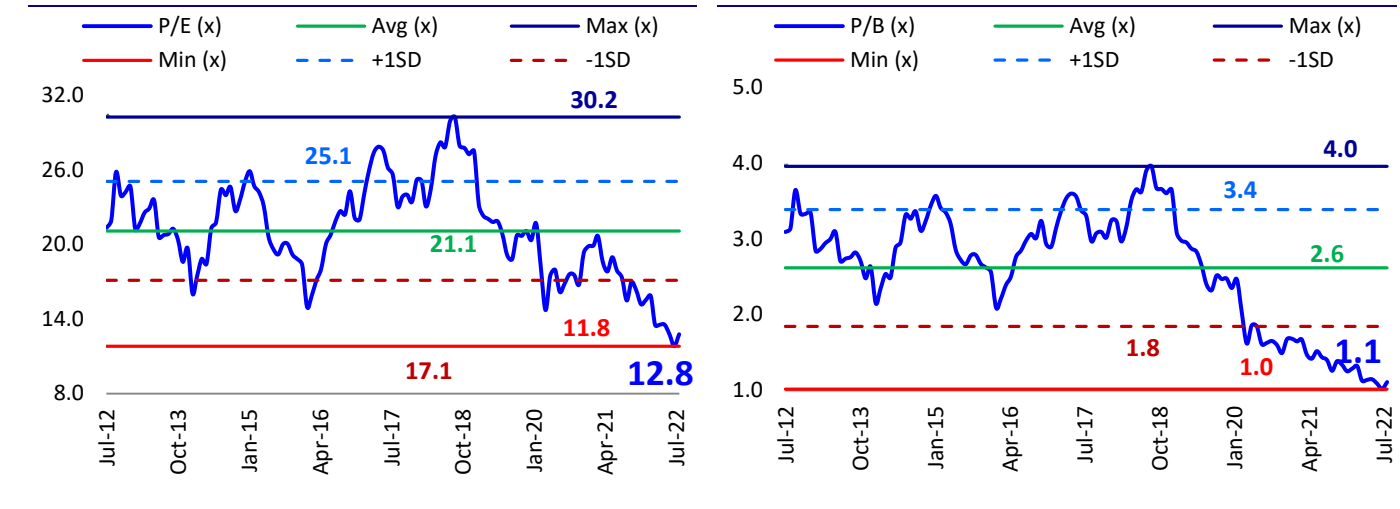
- **Industry structure remains duopoly; EXID leads:** While the industry structure remains largely a duopoly, EXID is the largest lead acid battery manufacturer in India, with leadership in auto OEMs and the Replacement segment. EXID has largely caught up with competitors by investing in technology and being more proactive in customer service and plugging the gaps in its product portfolio.
- **EXID to defend top position:** With demand recovery in auto OEMs and the Industrial segment, EXID should improve its market share. OEM demand saw strong recovery by end-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 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 have largely maintained our EPS estimates. 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 14.2x/12x FY23E/FY24E standalone EPS. Valuing it at ~12x standalone Jun'24E EPS + INR34/share for a stake in HDFC Life Insurance (@40% Holdco discount), we maintain our Buy rating with TP of ~INR200 per share.

Exhibit 6: Revised estimates

(INR m)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,51,417	1,40,682	7.6	1,66,386	1,54,039	8.0
EBITDA Margin (%)	10.9	11.6	-70bp	11.4	12.3	-90bp
PAT	9,479	9,279	2.2	11,182	11,041	1.3
EPS (INR)	11.2	10.9	2.2	13.2	13.0	1.3

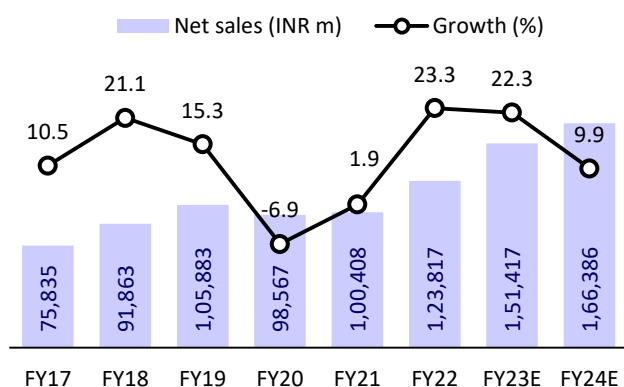
Source: MOFSL

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



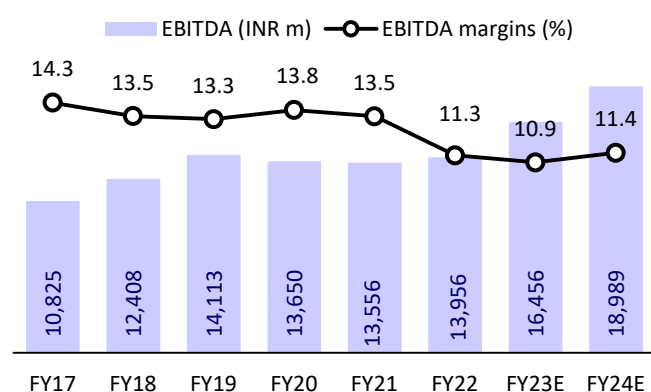
Story in charts

Exhibit 8: Trend in revenue and growth



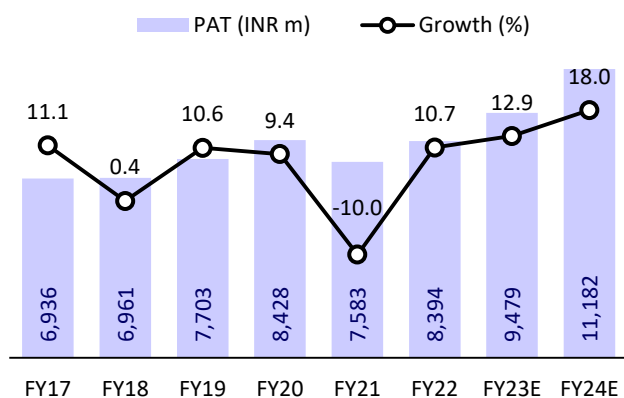
Source: Company, MOFSL

Exhibit 9: Trend in EBITDA and EBITDA margin



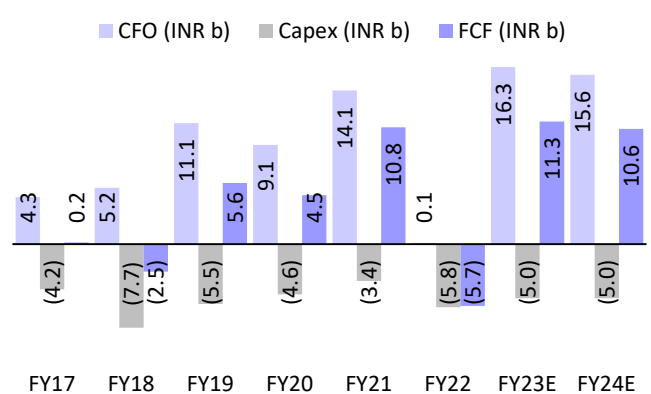
Source: Company, MOFSL

Exhibit 10: PAT and PAT growth trend



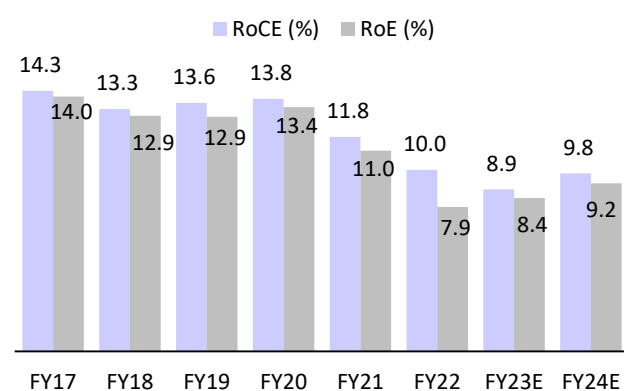
Source: Company, MOFSL

Exhibit 11: Strong FCF driven by healthy CFO



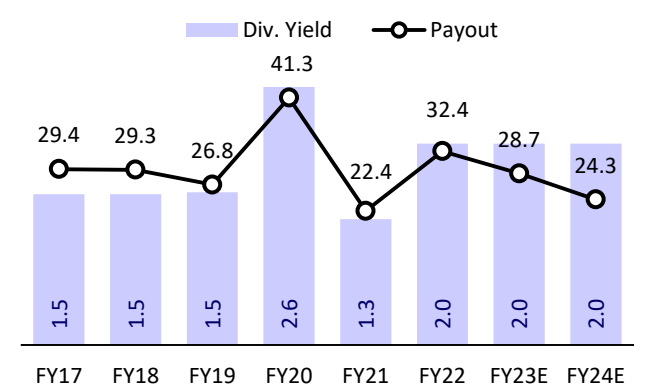
Source: Company, MOFSL

Exhibit 12: Trend in return ratios



Source: Company, MOFSL

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



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR Million)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	75,835	91,863	1,05,883	98,567	1,00,408	1,23,817	1,51,417	1,66,386	1,82,420
Change (%)	10.7	21.1	15.3	-6.9	1.9	23.3	22.3	9.9	9.6
Total Expenditure	65,010	79,456	91,770	84,916	86,852	1,09,860	1,34,960	1,47,397	1,59,811
EBITDA	10,825	12,408	14,113	13,651	13,557	13,957	16,457	18,990	22,609
EBITDA Margins (%)	14.3	13.5	13.3	13.8	13.5	11.3	10.9	11.4	12.4
Change (%)	5.7	14.6	13.7	-3.3	-0.7	3.0	17.9	15.4	19.1
Depreciation	2,063	2,459	3,135	3,626	3,794	4,126	4,515	4,966	5,411
EBIT	8,762	9,948	10,978	10,025	9,763	9,831	11,942	14,024	17,198
Interest Charges	43	52	61	94	238	384	330	325	325
Other Income	1,039	584	385	639	654	803	1,079	1,311	1,401
EO Exp/(Inc)	-	418	(1,083)	217	-	(46,938)	-	-	-
PBT	9,757	10,062	12,386	10,352	10,179	57,186	12,690	15,009	18,273
Tax	2,821	3,378	3,945	2,097	2,596	10,351	3,211	3,827	4,660
Effective Rate (%)	28.9	33.6	31.9	20.3	25.5	18.1	25.3	25.5	25.5
Rep. PAT	6,936	6,683	8,440	8,255	7,583	46,835	9,479	11,182	13,614
Change (%)	11.1	-3.6	26.3	-2.2	-8.1	517.7	-79.8	18.0	21.8
Adj. PAT	6,936	6,961	7,703	8,428	7,583	8,394	9,479	11,182	13,614
Change (%)	11.1	0.4	10.6	9.4	-10.0	10.7	12.9	18.0	21.8

Balance Sheet							(INR Million)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Share Capital	850	850	850	850	850	850	850	850	850
Reserves	48,786	53,043	59,020	62,111	68,085	1,05,206	1,11,965	1,20,427	1,31,320
Net Worth	49,636	53,893	59,870	62,961	68,935	1,06,056	1,12,815	1,21,277	1,32,170
Loans	1,702	0	0	0	0	0	0	0	0
Deferred Tax Liability	1,552	1,405	1,751	1,019	771	-584	-203	247	795
Capital Employed	52,890	55,298	61,621	63,980	69,706	1,05,472	1,12,612	1,21,524	1,32,966

Application of Funds									
Gross Fixed Assets	19,058	25,588	32,069	36,039	42,740	48,173	53,297	58,297	63,297
Less: Depreciation	3,598	6,005	9,097	12,645	16,361	20,487	25,003	29,969	35,380
Net Fixed Assets	15,460	19,583	22,973	23,394	26,379	27,686	28,294	28,328	27,917
Capital WIP	1,414	2,335	2,549	2,969	2,008	3,124	3,000	3,000	3,000
Investments	26,755	19,690	21,994	21,050	30,924	60,765	67,793	67,793	67,793
Curr.Assets	24,143	32,361	34,208	35,008	36,978	41,273	47,149	59,090	74,223
Inventory	15,274	17,602	18,040	21,923	23,462	24,585	25,720	28,263	30,986
Sundry Debtors	6,217	9,434	10,812	8,154	8,875	11,925	14,519	15,955	17,492
Cash & Bank Balances	196	872	736	1,546	914	1,612	2,750	10,302	20,734
Loans & Advances	235	272	322	322	383	223	577	635	696
Other Current Assets	2,222	4,181	4,299	3,064	3,345	2,929	3,582	3,936	4,315
Current Liab. & Prov.	14,881	18,671	20,103	18,441	26,582	27,376	33,702	36,765	40,045
Sundry Creditors	7,679	10,787	11,428	10,361	16,483	16,175	19,781	21,737	23,831
Other Liabilities	4,556	5,091	5,539	4,478	6,856	8,009	9,127	10,029	10,995
Provisions	2,647	2,793	3,136	3,602	3,244	3,191	4,794	4,999	5,219
Net Current Assets	9,262	13,690	14,105	16,567	10,396	13,898	13,448	22,325	34,178
Application of Funds	52,890	55,298	61,621	63,980	69,706	1,05,472	1,12,534	1,21,446	1,32,888

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)									
EPS	8.2	8.2	9.1	9.9	8.9	9.9	11.2	13.2	16.0
Cash EPS	10.6	11.1	12.8	14.2	13.4	14.7	16.5	19.0	22.4
Book Value per Share	58.4	63.4	70.4	74.1	81.1	124.8	132.7	142.7	155.5
DPS	2.4	2.4	2.4	4.1	2.0	3.2	3.2	3.2	3.2
Payout (Incl. Div. Tax) %	29.4	29.3	26.8	41.3	22.4	32.4	28.7	24.3	20.0
Valuation (x)									
P/E	19.4	19.3	17.5	16.0	17.8	16.0	14.2	12.0	9.9
Cash P/E	15.0	14.3	12.4	11.2	11.8	10.8	9.6	8.3	7.1
EV/EBITDA	10.1	9.2	7.9	8.2	7.6	5.2	3.9	3.0	2.0
EV/Sales	1.4	1.2	1.1	1.1	1.0	0.6	0.4	0.3	0.3
Price to Book Value	2.7	2.5	2.2	2.1	2.0	1.3	1.2	1.1	1.0
Dividend Yield (%)	1.5	1.5	1.5	2.6	1.3	2.0	2.0	2.0	2.0
Profitability Ratios (%)									
RoE	14.0	12.9	12.9	13.4	11.0	7.9	8.4	9.2	10.3
RoCE	14.3	13.3	13.6	13.8	11.8	10.0	8.9	9.8	10.9
RoIC	29.4	23.2	21.8	21.4	19.6	21.2	22.6	26.3	31.3
Turnover Ratios									
Debtors (Days)	30	37	37	30	32	35	35	35	35
Inventory (Days)	74	70	62	81	85	72	62	62	62
Creditors (Days)	37	43	39	38	60	48	48	48	48
Working Capital (Days)	66	65	60	73	58	60	49	49	49
Gross Fixed Asset Turnover (x)	4.0	3.6	3.3	2.7	2.3	2.6	2.8	2.9	2.9
Leverage Ratio									
Net Debt/Equity (x)	-0.2	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.2

Cash Flow Statement

(INR Million)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	9,757	10,062	12,386	10,352	10,179	57,186	11,941	14,023	17,197
Interest/Dividends Received	-898	-358	-217	-429	-362	-224	1,079	1,311	1,401
Depreciation & Amortisation	2,063	2,459	3,135	3,626	3,794	4,126	4,515	4,966	5,411
Direct Taxes Paid	-2,812	-3,503	-3,733	-2,494	-2,721	-10,475	-2,830	-3,377	-4,112
(Inc)/Dec in Working Capital	-3,840	-3,563	-468	-2,155	3,044	-3,525	1,588	-1,326	-1,421
Other Items	41	69	18	237	200	-46,966	0	0	0
CF from Oper. Activity	4,311	5,166	11,121	9,137	14,134	122	16,294	15,596	18,477
(Inc)/Dec in FA+CWIP	-4,158	-7,714	-5,510	-4,646	-3,384	-5,812	-5,000	-5,000	-5,000
Free Cash Flow	153	-2,548	5,611	4,491	10,750	-5,690	11,294	10,596	13,477
(Pur)/Sale of Invest.	1,086	7,433	-2,147	1,397	-9,385	8,542	-7,028	0	0
CF from Inv. Activity	-3,072	-280	-7,656	-3,249	-12,769	2,730	-12,028	-5,000	-5,000
Interest Rec./ (Paid)	-37	-58	-61	-100	-289	-443	-330	-325	-325
Dividends Paid	-2,417	-2,449	-2,459	-4,986	-1,700	-1,700	-2,720	-2,720	-2,720
CF from Fin. Activity	-1,782	-4,209	-2,520	-5,086	-1,989	-2,143	-3,050	-3,045	-3,045
Inc/(Dec) in Cash	-543	676	-138	802	-623	709	1,216	7,551	10,432
Add: Beginning Balance	738	196	785	647	1,449	826	1,534	2,750	10,302
Closing Balance	195	872	647	1,449	826	1,534	2,750	10,302	20,734

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

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