

Exide Industries

Refer to important disclosures at the end of this report

Robust sales in Q1; Benefits of lower commodity costs to reflect from Q2

- For Q1FY23, Exide Industries (Exide) reported 14% qoq revenue growth (3-year CAGR at +12%) to Rs39bn, 6% above estimates, due to improved growth in both auto and industrial segments. EBITDA grew by 11% qoq (3-yr CAGR at -2%) to Rs3.9bn, 13% below estimates due to higher-than-expected commodity and energy inflation. Management expects benefits of lower commodity prices to start reflecting in Q2.
- FY22-25E revenue CAGR of 11% should be supported by robust growth in auto OEM segment, pickup in industrial segment, and stable growth in the auto replacement market.
- Despite not being selected in PLI-ACC scheme, Exide plans to set up a lithium-ion cell manufacturing facility and has entered into technical collaboration with China's SVOLT Energy. Any progress on construction of the new manufacturing plant and tie-ups with OEMs for battery supplies could provide clarity on Exide's long-term growth prospects.
- We have increased FY23-25E EPS by 3-9%, mainly due to higher revenue assumptions. We retain Hold with a TP of Rs175 (Rs165 earlier), based on 11x Sep'24E EPS (Jun'24E EPS earlier) and the value of HDFC Life stake at Rs49/share.
- EBITDA below estimates:** Revenue grew by 14% (3-year CAGR at +12%) to Rs39bn, 6% above estimates. Management has highlighted strong growth across auto, industrial, and export segments. Within the industrial segment, demand is better for UPS, solar, and power and project segments. Exports have been supported by increasing presence in key markets, both in auto and industrial verticals. EBITDA grew by 11% qoq (3-year CAGR at -2%) to Rs3.9bn, 13% below our estimates due to higher-than-expected commodity and energy inflation. Management expects benefits of lower commodity prices to start reflecting from Q2. Accordingly, adjusted PAT grew by 13% qoq (3-year CAGR at 0.3%) to Rs2.3bn, below our estimate of Rs2.6bn.
- Maintain Hold:** Exide plans to set up a lithium-ion cell manufacturing facility in collaboration with a foreign partner (SVOLT of China). Initial phase of the project is expected to be completed over 3-4 years. Any progress on the construction of the new manufacturing plant and tie-ups with OEMs for battery supplies could provide clarity on the company's long-term growth prospects. We retain our Hold rating with a TP of Rs175. Key downside risks: Lower-than-expected demand in key geographies, increased competitive intensity, and adverse movement in commodity prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,00,408	1,23,817	1,46,062	1,57,640	1,68,766
EBITDA	13,556	13,956	15,700	18,231	20,029
EBITDA Margin (%)	13.5	11.3	10.7	11.6	11.9
APAT	7,583	7,643	8,411	9,603	10,271
EPS (Rs)	8.9	9.0	9.9	11.3	12.1
EPS (% chg)	(9.9)	0.8	10.0	14.2	7.0
ROE (%)	11.5	8.7	7.7	8.3	8.4
P/E (x)	17.8	17.6	16.0	14.0	13.1
EV/EBITDA (x)	9.2	9.5	8.2	6.8	6.0
P/BV (x)	2.9	2.9	2.6	2.3	2.0

Source: Company, Emkay Research

CMP	Target Price
Rs 159 as of (July 29, 2022)	Rs 175 (▲) 12 months
Rating	Upside
HOLD (■)	10.5 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	3.0/ 5.2
Target Price change (%)	6.1
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	9.9	11.3
Consensus	10.6	12.4
Mean Consensus TP (12M)	Rs 191	

Stock Details

Bloomberg Code	EXID IN
Face Value (Rs)	1
Shares outstanding (mn)	850
52 Week H/L	205 / 130
M Cap (Rs bn/USD bn)	135 / 1.70
Daily Avg Volume (nos.)	18,95,055
Daily Avg Turnover (US\$ mn)	3.5

Shareholding Pattern Jun '22

Promoters	46.0%
FIIs	10.4%
DIIIs	17.8%
Public and Others	25.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	3	(10)	(9)
Rel. to Nifty	5	3	(10)	(16)

Relative price chart



Source: Bloomberg

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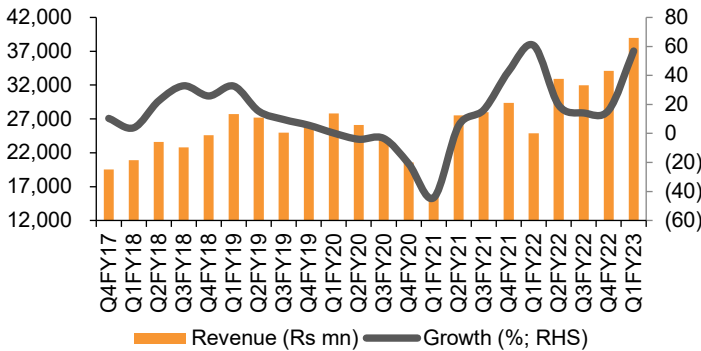
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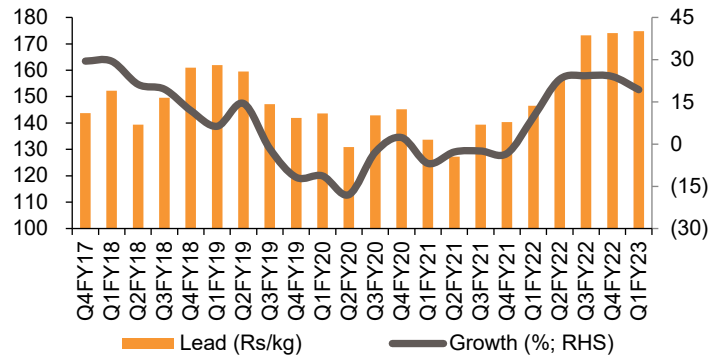
Story in Charts

Exhibit 1: Revenue grew by 14% qoq to Rs39bn, above our estimates



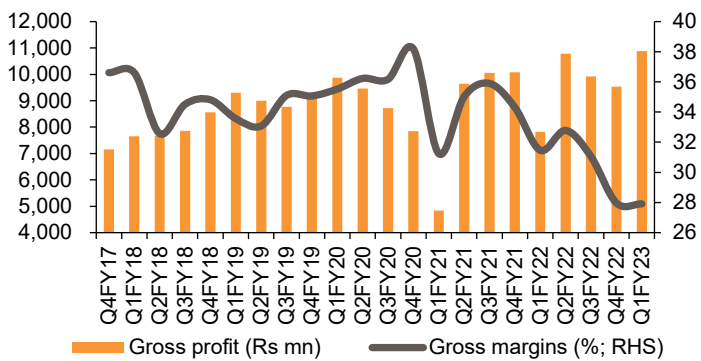
Source: Company, Emkay Research

Exhibit 2: Lead prices have peaked; Benefits of recent correction to reflect from Q2



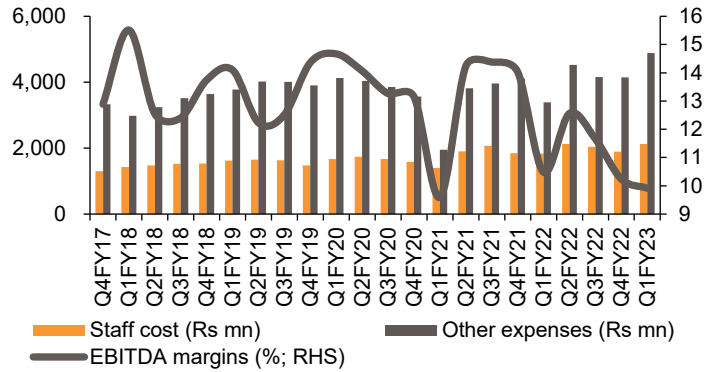
Note: Assumed 2 months inventory. Source: Bloomberg, Emkay Research

Exhibit 3: Gross margin declined by 10bps qoq to 27.9%



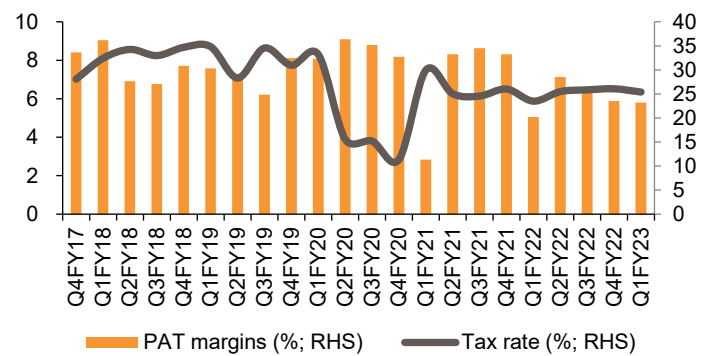
Source: Company, Emkay Research

Exhibit 4: EBITDA margin contracted by ~30bps qoq to 9.9% due to higher-than-expected commodity and energy inflation



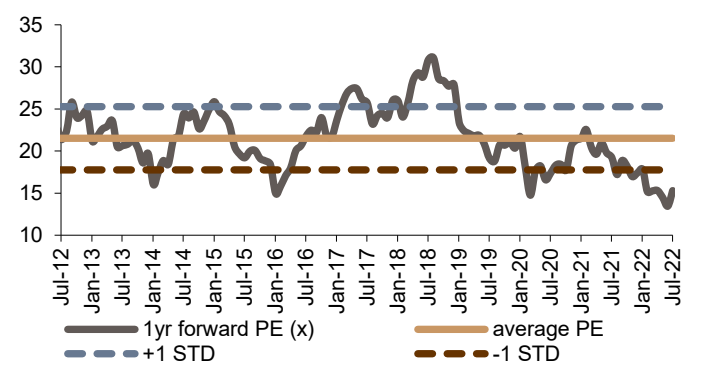
Source: Company, Emkay Research

Exhibit 5: PAT margin declined by 10bps qoq to 5.8%



Source: Company, Emkay Research

Exhibit 6: One-year forward P/E: Valuations to be under pressure due to EV penetration risk



Source: Company, Emkay Research

Exhibit 7: Expect revenue CAGR of 13% over FY22-24E

Key revenue assumptions (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Automotive	57,796	68,425	80,891	88,751	96,355
Growth (%)	10	18	18	10	9
-OEM	12,880	14,856	18,655	21,354	23,368
Growth (%)	-5	15	26	14	9
-Aftermarket	44,916	53,569	62,236	67,397	72,987
Growth (%)	15	19	16	8	8
Industrial	36,723	47,442	54,836	57,624	60,132
Growth (%)	-20	29	16	5	4
Exports	5,889	7,950	10,335	11,265	12,279
Growth (%)	-10	35	30	9	9
Total Revenue	100,408	123,817	146,062	157,640	168,766
Growth (%)	2	23	18	8	7

Source: Company, Emkay Research

Exhibit 8: Changes in estimates

Rs mn	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	137,344	146,062	6.3	18.0	148,405	157,640	6.2	7.9	158,920	168,766	6.2	7.1
EBITDA	15,490	15,700	1.4	12.5	17,188	18,231	6.1	16.1	18,414	20,029	8.8	9.9
Margin (%)	11.3	10.7	-53 bps	-52 bps	11.6	11.6	-2 bps	82 bps	11.6	11.9	28 bps	30 bps
Net Profit	8,169	8,411	3.0	10.0	9,127	9,603	5.2	14.2	9,380	10,271	9.5	7.0
EPS (Rs)	9.6	9.9	3.0	10.0	10.7	11.3	5.2	14.2	11.0	12.1	9.5	7.0

Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates (Q1FY23)

(Rs mn)	Actual	Estimate		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	38,994	36,813	34,115	5.9	14.3	Above estimates owing to improved growth in both auto and industrial segments
EBITDA	3,866	4,442	3,710	(13.0)	4.2	Below estimates due to higher-than-expected commodity and energy inflation
EBITDA Margin (%)	9.9	12.1	10.9	(215) bps	(96) bps	
Adjusted Net profit	2,263	2,607	2,036	(13.2)	11.2	Below estimates due to lower operating profit

Source: Bloomberg, Company, Emkay Research

Exhibit 10: Quarterly financial summary

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ(%)
Revenue	24,864	32,900	31,967	34,086	38,994	56.8	14.4
Expenditure	22,258	28,767	28,240	30,596	35,127	57.8	14.8
<i>as % of sales</i>	89.5	87.4	88.3	89.8	90.1		
Consumption of RM	17,041	22,115	22,042	24,554	28,111	65.0	14.5
<i>as % of sales</i>	68.5	67.2	69.0	72.0	72.1		
Employee Cost	1,831	2,125	2,044	1,893	2,128	16.2	12.4
<i>as % of sales</i>	7.4	6.5	6.4	5.6	5.5		
Other expenditure	3,386	4,527	4,154	4,149	4,888	44.4	17.8
<i>as % of sales</i>	13.6	13.8	13.0	12.2	12.5		
EBITDA	2,606	4,134	3,726	3,490	3,866	48.4	10.8
Depreciation	1,009	1,012	1,041	1,065	1,091	8.1	2.5
EBIT	1,597	3,122	2,685	2,426	2,776	73.8	14.4
Other Income	152	109	150	392	322	112.5	(18.0)
Interest	109	86	83	106	64	(41.7)	(40.1)
PBT	1,640	3,145	2,753	2,712	3,034	85.1	11.9
Total Tax	385	802	712	707	771	100.0	9.0
Adjusted PAT	1,254	2,344	2,041	2,005	2,263	80.5	12.9
Extraordinary items Loss/(Gain)	0	0	0	-39,192	0		
Reported PAT	1,254	2,344	2,041	41,197	2,263	80.5	(94.5)
Adjusted EPS (Rs)	1.5	2.8	2.4	2.4	2.7	80.5	12.9

Margins (%)						(bps)	(bps)
EBITDA	10.5	12.6	11.7	10.2	9.9	-57	-32
EBIT	6.4	9.5	8.4	7.1	7.1	69	0
EBT	6.6	9.6	8.6	8.0	7.8	119	(17)
PAT	5.0	7.1	6.4	5.9	5.8	76	(8)
Effective Tax rate	23.5	25.5	25.8	26.1	25.4	190	(67)

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,00,408	1,23,817	1,46,062	1,57,640	1,68,766
Expenditure	86,853	1,09,861	1,30,362	1,39,410	1,48,737
EBITDA	13,556	13,956	15,700	18,231	20,029
Depreciation	3,794	4,126	4,648	5,339	6,072
EBIT	9,762	9,830	11,052	12,891	13,957
Other Income	654	803	538	465	552
Interest expenses	238	384	346	519	778
PBT	10,179	10,249	11,244	12,838	13,731
Tax	2,596	2,606	2,834	3,235	3,460
Extraordinary Items	0	39,192	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	7,583	46,835	8,411	9,603	10,271
Adjusted PAT	7,583	7,643	8,411	9,603	10,271

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	850	850	850	850	850
Reserves & surplus	68,085	1,05,206	1,11,093	1,17,814	1,25,003
Net worth	68,935	1,06,056	1,11,943	1,18,664	1,25,853
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	771	(584)	(584)	(584)	(584)
Total Liabilities	69,706	1,05,472	1,11,359	1,18,081	1,25,270
Net block	26,379	27,686	29,037	30,198	31,126
Investment	30,924	60,765	63,265	66,765	71,265
Current Assets	36,978	41,273	47,337	52,142	56,711
Cash & bank balance	914	1,612	1,978	3,140	4,176
Other Current Assets	1,874	2,076	2,284	2,512	2,764
Current liabilities & Provision	26,582	27,376	31,404	34,148	36,956
Net current assets	10,396	13,898	15,933	17,994	19,755
Misc. exp	0	0	0	0	0
Total Assets	69,706	1,05,472	1,11,359	1,18,081	1,25,270

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	9,525	56,383	10,706	12,373	13,179
Other Non-Cash items	0	0	0	0	0
Chg in working cap	3,044	(3,525)	(1,670)	(899)	(725)
Operating Cashflow	13,480	(682)	11,002	13,882	15,544
Capital expenditure	(3,384)	(5,812)	(6,000)	(6,500)	(7,000)
Free Cash Flow	10,096	(6,494)	5,002	7,382	8,544
Investments	(9,787)	8,384	(2,500)	(3,500)	(4,500)
Other Investing Cash Flow	402	157	195	215	301
Investing Cashflow	(12,114)	3,533	(7,767)	(9,320)	(10,647)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(1,700)	(1,700)	(2,523)	(2,881)	(3,081)
Other Financing Cash Flow	(253)	(313)	0	0	0
Financing Cashflow	(1,998)	(2,153)	(2,869)	(3,400)	(3,860)
Net chg in cash	(632)	699	365	1,162	1,037
Opening cash position	1,546	914	1,612	1,978	3,140
Closing cash position	914	1,612	1,978	3,140	4,176

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	13.5	11.3	10.7	11.6	11.9
EBIT Margin	9.7	7.9	7.6	8.2	8.3
Effective Tax Rate	25.5	25.4	25.2	25.2	25.2
Net Margin	7.6	6.2	5.8	6.1	6.1
ROCE	11.3	8.5	7.8	8.4	8.6
ROE	11.5	8.7	7.7	8.3	8.4
RoIC	19.6	19.3	19.9	21.9	22.8

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	8.9	9.0	9.9	11.3	12.1
CEPS	13.4	13.8	15.4	17.6	19.2
BVPS	55.1	54.3	61.2	69.1	77.6
DPS	2.7	2.0	3.0	3.4	3.6

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	17.8	17.6	16.0	14.0	13.1
P/CEPS	11.8	11.4	10.3	9.0	8.2
P/BV	2.9	2.9	2.6	2.3	2.0
EV / Sales	1.2	1.1	0.9	0.8	0.7
EV / EBITDA	9.2	9.5	8.2	6.8	6.0
Dividend Yield (%)	1.7	1.3	1.9	2.1	2.3

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.1)	0.0	0.0	(0.1)	(0.1)
Net Debt/EBIDTA	(0.7)	(0.2)	(0.3)	(0.5)	(0.8)
Working Cap Cycle (days)	34.5	36.2	34.9	34.4	33.7

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1.9	23.3	18.0	7.9	7.1
EBITDA	(0.7)	3.0	12.5	16.1	9.9
EBIT	(2.6)	0.7	12.4	16.6	8.3
PAT	(8.1)	517.7	(82.0)	14.2	7.0

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Revenue	24,864	32,900	31,967	34,086	38,994
EBITDA	2,606	4,134	3,726	3,490	3,866
EBITDA Margin (%)	10.5	12.6	11.7	10.2	9.9
PAT	1,254	2,344	2,041	2,005	2,263
EPS (Rs)	1.5	2.8	2.4	2.4	2.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	46.0	46.0	46.0	46.0	46.0
FIs	11.8	9.7	9.6	10.1	10.4
DIs	23.3	21.7	20.6	19.2	17.8
Public and Others	18.9	22.6	23.8	24.7	25.8

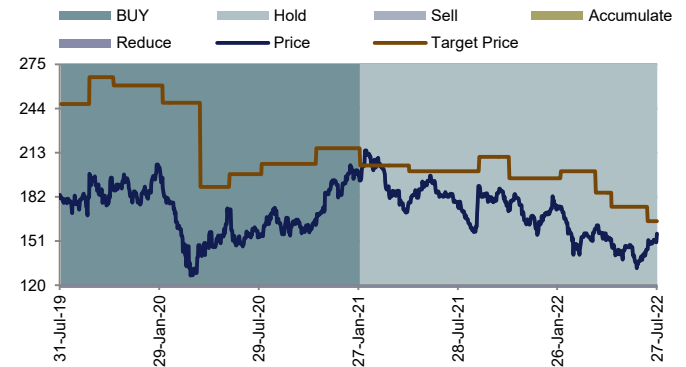
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Jul-22	145	165	12m	Hold	Raghunandhan NL
05-May-22	149	175	12m	Hold	Raghunandhan NL
06-Apr-22	159	185	12m	Hold	Raghunandhan NL
24-Feb-22	141	200	12m	Hold	Raghunandhan NL
01-Feb-22	175	200	12m	Hold	Raghunandhan NL
30-Oct-21	173	195	12m	Hold	Raghunandhan NL
05-Sep-21	190	210	12m	Hold	Raghunandhan NL
30-Jul-21	179	200	12m	Hold	Raghunandhan NL
02-Jul-21	182	200	12m	Hold	Raghunandhan NL
18-Jun-21	185	200	12m	Hold	Raghunandhan NL
01-Jun-21	190	200	12m	Hold	Raghunandhan NL
30-May-21	192	200	12m	Hold	Raghunandhan NL
30-Apr-21	178	200	12m	Hold	Raghunandhan NL
30-Jan-21	194	204	12m	Hold	Raghunandhan NL
11-Nov-20	164	216	12m	Buy	Raghunandhan NL
11-Oct-20	164	205	12m	Buy	Raghunandhan NL
29-Sep-20	164	205	12m	Buy	Raghunandhan NL
03-Aug-20	155	205	12m	Buy	Raghunandhan NL
29-Jun-20	147	198	12m	Buy	Raghunandhan NL
05-Jun-20	173	198	12m	Buy	Raghunandhan NL
04-May-20	147	189	12m	Buy	Raghunandhan NL
29-Apr-20	155	189	12m	Buy	Raghunandhan NL
13-Apr-20	143	189	12m	Buy	Raghunandhan NL
27-Feb-20	171	248	12m	Buy	Raghunandhan NL
14-Feb-20	179	248	12m	Buy	Raghunandhan NL
04-Feb-20	188	248	12m	Buy	Raghunandhan NL
27-Dec-19	185	260	12m	Buy	Raghunandhan NL
27-Nov-19	192	260	12m	Buy	Raghunandhan NL
06-Nov-19	186	260	12m	Buy	Raghunandhan NL
23-Sep-19	198	266	12m	Buy	Raghunandhan NL
02-Aug-19	181	247	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	5.03	5.03	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.00	NA	0	0.00	0
Ashok Leyland	0.21	0.21	0%	0	4.16	0
Atul Auto	0.00	0.00	NA	0	0.00	0
Bajaj Auto	0.50	0.39	-23%	-12	7.67	0
Bharat Forge	0.19	0.19	0%	0	3.73	0
Eicher Motors	0.43	0.43	0%	0	8.47	0
Escorts	0.00	0.02	NA	2	0.37	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.36	0.38	4%	2	7.50	0
Mahindra & Mahindra	1.10	1.10	0%	0	21.89	0
Maruti Suzuki India	1.16	1.18	2%	2	23.52	0
Minda Industries	0.00	0.02	NA	2	0.42	0
Motherson Sumi Wiring India	0.00	0.02	NA	2	0.43	0
Samvardhana Motherson International	0.00	0.00	NA	0	0.00	0
Tata Motors	0.78	0.79	1%	1	15.74	0
Tata Motors DVR*	0.10	0.11	10%	1	2.24	0
TVS Motor	0.19	0.19	0%	0	3.86	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	28-Jul-21	28-Jan-22	28-Apr-22	28-Jun-22	28-Jul-22
EAP - Auto & Auto Ancillaries	100.0	118.9	138.2	134.4	143.8	149.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	118.3	137.2	133.9	143.5	148.7

*Performance measurement base date 1st April 2019

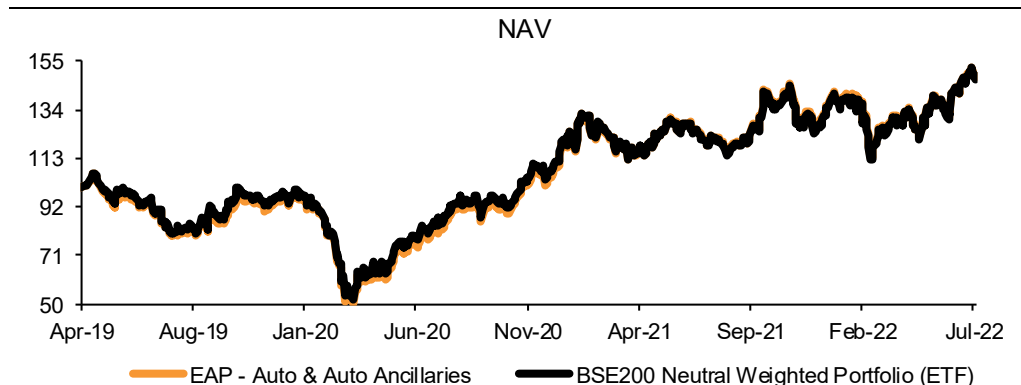
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	3.7%	11.0%	7.9%	25.4%
BSE200 Neutral Weighted Portfolio (ETF)	3.6%	11.1%	8.4%	25.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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