

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USDdb)	161.1 / 2
52-Week Range (INR)	197 / 130
1, 6, 12 Rel. Per (%)	-1/11/18
12M Avg Val (INR M)	458

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Net Sales	145.9	165.4	184.5
EBITDA	15.7	19.1	22.7
Adj. PAT	9.0	11.3	13.7
Adj. EPS (INR)	10.6	13.3	16.1
EPS Gr. (%)	7.5	24.7	21.5
BV/Sh. (INR)	131.9	141.9	154.9

Ratio

RoE (%)	8.1	9.3	10.4
RoCE (%)	8.5	9.9	11.0
Payout (%)	18.8	24.1	19.9

Valuations

P/E (x)	17.7	14.2	11.7
P/BV (x)	1.4	1.3	1.2
Div Yield (%)	1.1	1.7	1.7
FCF Yield (%)	3.1	7.0	9.6

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	46.0	46.0	46.0
DII	18.9	19.6	19.2
FII	12.3	11.0	10.1
Others	22.8	23.5	24.7

FII Includes depository receipts

CMP: INR188 TP: INR225 (+20%) Buy

Weak revenue growth further dented by higher RM costs

Li-ion battery pack assembly order book at INR6-7b

- Exide (EXID)'s 4QFY23 revenue growth was below estimate and margins were hit by higher lead prices. While OEM demand is good, replacement and exports are likely to improve from FY24E. EXID's li-ion foray is progressing well, with battery pack assembly revenue expected to commence from FY24 and li-ion cell manufacturing to start in FY26. However, evolving competitive landscape for li-ion cell manufacturing due to rising demand for EVs makes it difficult to assess the potential for EXID's success in this domain.
- We maintain our FY24E/FY25E EPS. **Reiterate BUY with a TP of INR225** (based on 12x Mar'25E S/A EPS + INR34/sh value from HDFC Life stake). We are currently not ascribing any value to its li-ion battery/cell manufacturing foray.

Margins hit by various cost pressures

- EXID's standalone numbers were restated as Chloride Power Systems and Solutions Limited (a wholly owned subsidiary) has been merged with the company.
- EXID's 4QFY23 revenue/EBITDA grew 4%/5% YoY to INR35.4b/INR3.7b but adj. PAT declined 25% YoY to INR2.1b. FY23 revenue/EBITDA/adj. PAT increased 18%/12%/8% YoY.
- Gross margin expanded 180bp YoY (-250bp QoQ) to 29.8% (v/s est. 31.2%), hit by higher lead prices (by 4% QoQ) and weaker mix (weakness in replacement and exports).
- Operating leverage restricted EBITDA margin expansion to just 10bp YoY (-140bp QoQ) to 10.4% (v/s est. 11.7%). EBITDA improved 5% YoY to INR3.7b (v/s est. INR4.3b) in 4QFY23.
- Further, adj PAT declined 25% YoY to ~INR2.1b (v/s INR2.6b).
- FCFF during FY23 was at INR5.0b (v/s negative INR5.6b in FY22) due to strong operating cash flow at INR8.5b (v/s INR205m in FY22) and lower capex of INR3.5b (v/s INR5.8b in FY22).

Highlights from the management interaction

- For FY24, management expects replacement market to pick-up and exports to recover as well.
- It is focused on expanding margins through a) calibrated price hikes, b) mix optimization (product and channel mix) with higher share of premium products, and c) improving operational efficiencies through digitalization initiatives.
- Li-ion project is progressing well with necessary approvals in place and construction is underway at Bengaluru. It has so far invested ~INR7.15b of INR40b capex for the first phase of 6GW plant. This plant is likely to start operations by end-FY25, and stabilize in 6-8 months.

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- Nexcharge (its battery pack assembly business) has orders of INR6-7b for execution in the next 12-15 months for modules and packs. The company expects revenue of INR4-5b from this order to accrue in FY25.
- **Capex:** FY24 capex for core lead acid batteries is expected to be INR5-6b. Li-ion cell business (part of its subsidiary) is in the process of placing orders and would invest materially in FY24/25.

Valuation and view

- EXID would see a lower impact of the lead price inflation due to its captive smelter. We prefer EXID as it offers superior risk-reward 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. Further, EXID has shown reasonable progress on new technology with an efficient partner in the form of SVolt.
- However, lithium batteries pose a risk to the 2W/3W segments (~15% of revenue) and the Industrial segment (~26% of revenue).
- The stock trades at 14.2x/11.7x FY24E/FY25E standalone EPS. Valuing it at ~12x standalone Mar'25E EPS + INR34/sh for a stake in HDFC Life Insurance (@ 40% Holdco discount), **we maintain our BUY rating with a TP of ~INR225.**

S/A Quarterly Performance

Y/E March	(INR m)										
	FY22				FY23				FY22	FY23	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	24,864	32,900	31,967	34,165	38,994	37,189	34,121	35,430	124,101	1,45,919	36,909
Growth YoY (%)	60.7	19.5	14.1	16.3	56.8	13.0	6.7	3.7	23.6	17.6	8.3
Gross operating income	24,864	32,900	31,967	34,165	38,994	37,189	34,121	35,430	124,101	1,45,919	36,909
Growth YoY (%)	60.7	19.5	14.1	16.3	56.8	13.0	6.7	3.7	23.6	17.6	8
EBITDA	2,606	4,134	3,726	3,501	3,866	4,124	4,010	3,672	13,983	15,680	4,318
EBITDA Margin (%)	10.5	12.6	11.7	10.2	9.9	11.1	11.8	10.4	11.3	10.7	11.7
Change (%)	75.5	5.4	-7.5	-15.1	48.4	-0.2	7.6	4.9	3.1	12.1	24
Non-Operating Income	152	109	150	393	322	356	234	412	805	1,324	266
Interest	109	86	83	109	64	62	82	83	394	295	75
Depreciation	1,009	1,012	1,041	1,066	1,091	1,120	1,153	1,193	4,131	4,558	1,142
PBT after EO Exp	1,640	3,145	2,753	49,657	3,034	3,298	3,009	2,808	57,199	12,151	3,368
Effective Tax Rate (%)	23.5	25.5	25.8	17.0	25.4	25.3	25.8	26.0	18.1	25.6	24.7
Adj. PAT	1,254	2,344	2,041	2,761	2,263	2,462	2,232	2,078	8,404	9,036	2,536
Change (%)	185.4	2.4	-15.5	13.1	80.5	5.1	9.4	-24.7	10.8	7.5	-8.0
Key performance indicators											
Cost Break-up											
RM (%)	68.5	67.2	69.0	71.9	72.1	69.5	67.7	70.2	69.1	69.9	68.8
Employee cost (%)	7.4	6.5	6.4	5.6	5.5	5.9	6.3	6.2	6.5	6.0	5.9
Other Exp(%)	13.6	13.8	13.0	12.2	12.5	13.5	14.3	13.3	13.1	13.4	13.7
Gross Margin (%)	31.5	32.8	31.0	28.1	27.9	30.5	32.3	29.8	30.9	30.1	31.2
EBITDA Margin(%)	10.5	12.6	11.7	10.2	9.9	11.1	11.8	10.4	11.3	10.7	11.7
EBIT Margin(%)	6.4	9.5	8.4	7.1	7.1	8.1	8.4	7.0	7.9	7.6	8.6
Lead Price (INR/Kg)	156.2	172.8	174.3	175.0	169.2	157.6	173.4	175.6	169.6	169.0	
Change (%)	22.6	24.1	24.3	19.3	8.4	-8.8	-0.5	0.4	22.5	-0.4	

E: MOFSL Estimates

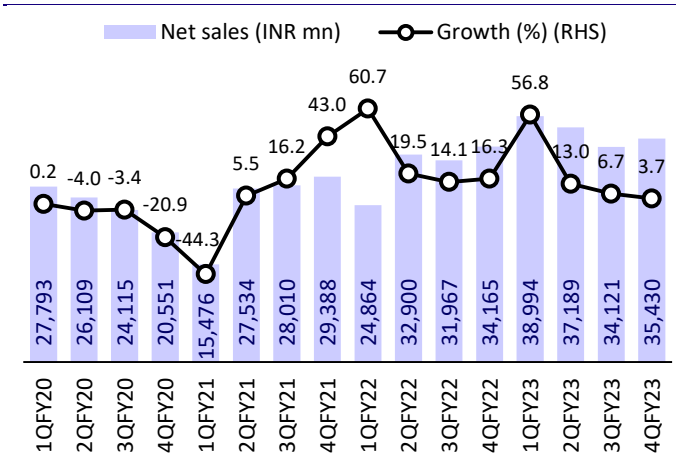


Highlights from the management commentary

- EXID’s 4QFY23 domestic sales grew led by OEM demand, but replacement demand was moderate. Industrial demand was healthy across segments. Exports were weak though.
- For FY24, management expects replacement market to pick-up and exports to recover as well.
- Industrial segment is witnessing 20-30% growth in FY23 in UPS, Solar and traction verticals (70% of total industrial).
- Margins were hit by higher RM cost and higher freight rates. Lead price was higher by 4% QoQ, impacting margins adversely by 2pp.
- It is focused on expanding margins through a) calibrated price hikes, b) mix optimization (product and channel mix) with higher share of premium products, and c) increasing operational efficiencies through digitalization initiatives.
- Li-ion project is progressing well with necessary approvals in place and construction is underway at Bengaluru. It has so far invested ~INR7.15b of INR40b capex for the first phase of 6GW plant. This plant is likely to start operations by end-FY25, and stabilize in 6-8 months. Homologation process takes 12-18 months, and is on-going in 2Ws, 3Ws, CVs and Telecom segments. It will leverage SVolt for sourcing materials. A commercial with SVolt involves fixed technical fees as well as royalty linked to sales (quantum not disclosed).
- Nexcharge (battery pack assembly business) has orders of INR6-7b for execution in the next 12-15 months for modules and packs. It has a capacity of 1.5GWh at Gujarat for modules and packs. It expects revenues of INR4-5b from this order to accrue in FY25.
- Capex: FY24 capex for core lead acid batteries is expected to be INR5-6b. Li-ion cell business (part of its subsidiary) is in the process of placing orders and would invest materially in FY24/25.

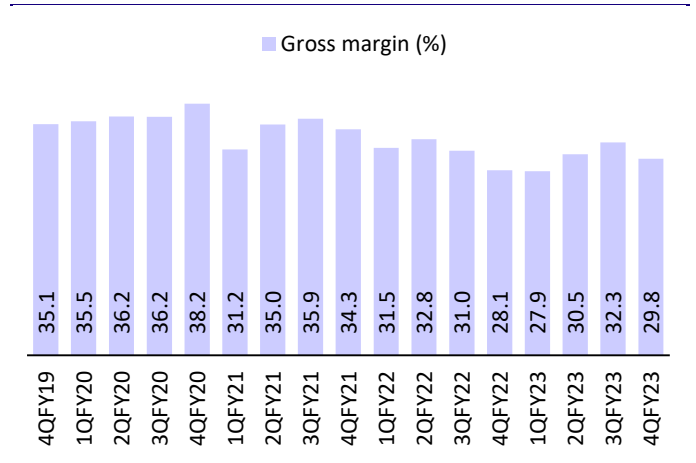
Key exhibits

Exhibit 1: Trends in revenue and growth



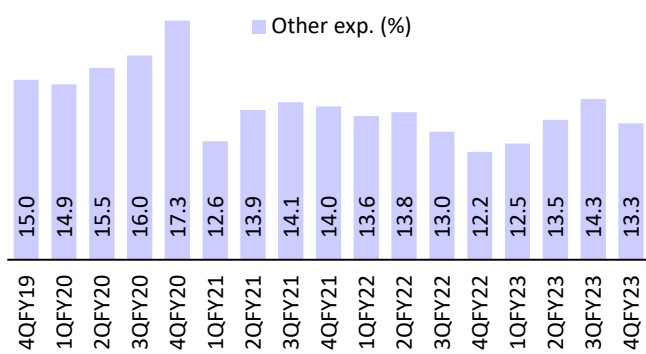
Source: Company, MOFSL

Exhibit 2: Trend in gross margin



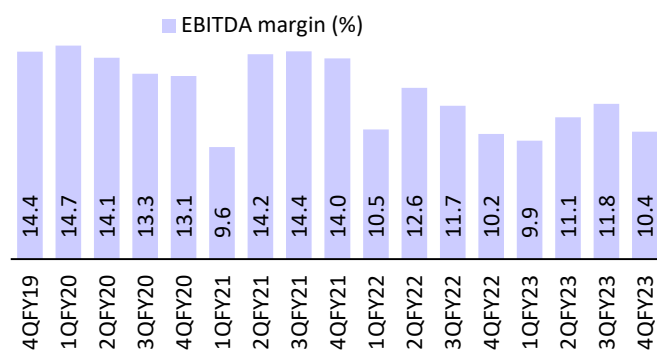
Source: Company, MOFSL

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



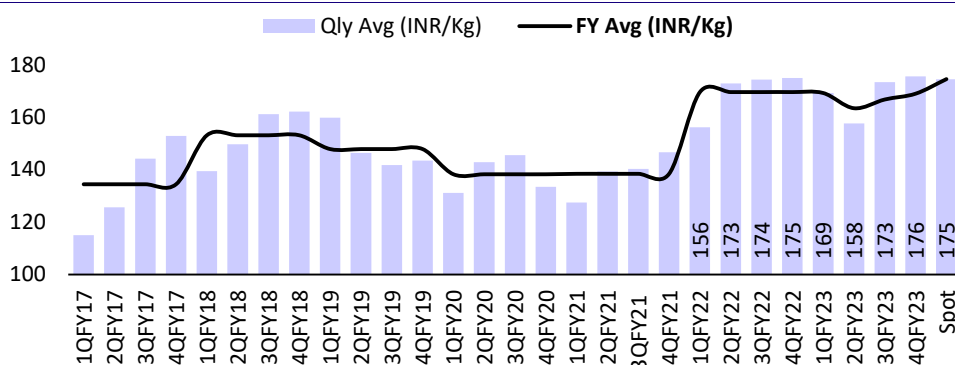
Source: Company, MOFSL

Exhibit 4: Trend in EBITDA margin



Source: Company, MOFSL

Exhibit 5: Lead price is expected to remain at elevated level



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 among auto OEMs and the Replacement segment. EXID has largely caught up with competitors by investing in technology and being more proactive in customer service as well as plugging the gaps in its product portfolio.
- EXID to defend its 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 but new Li-ion battery plant a step in the right direction:** The government is pushing for the electrification of 3Ws/2Ws from CY23/CY25. The incentives offered by the government (FAME-2), coupled with EV policies of the states, accelerate electrification in 2Ws/3Ws. 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). EXID's li-ion foray is progressing well, with battery pack

assembly revenue likely to commence in FY24 and li-ion cell manufacturing to start in FY26. However, evolving competitive landscape for li-ion cell manufacturing due to rising demand for EVs makes it difficult to assess the potential for EXID’s success in this domain. Hence, we are currently not ascribing any value to its li-ion battery/cell manufacturing foray.

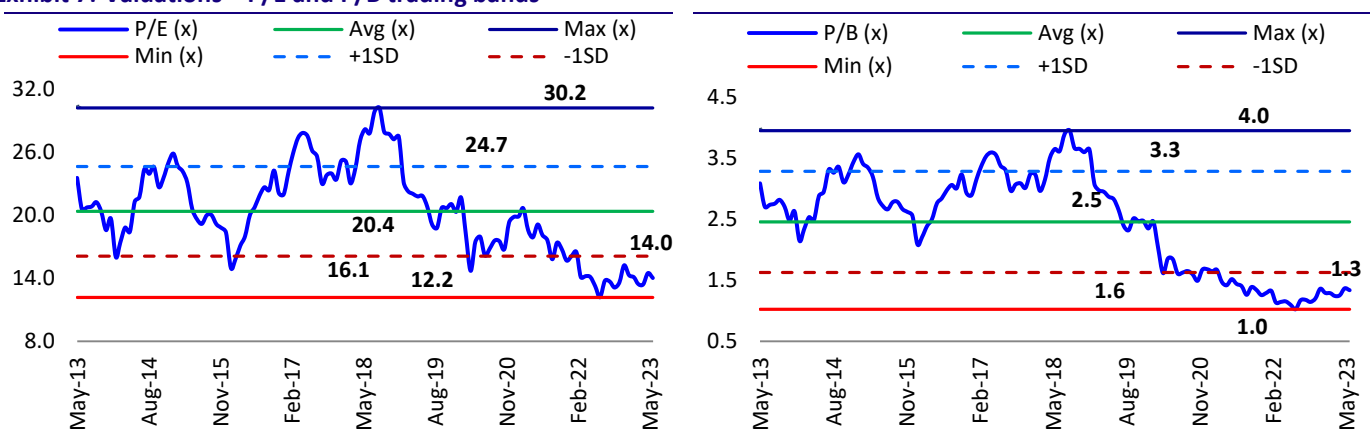
- War chest in the form of HDFC Life stake available for investments in new technology:** Over INR45b worth of stake in HDFC Life is at its disposal for potential investments in new technologies. With EXID looking to invest in lithium-ion cell manufacturing, this monetization of the Insurance business could not have come at a better time.
- Valuation and view:** We retain our FY24E/FY25E EPS. EXID would see a lower impact of the lead price inflation on account of its captive smelter. We prefer EXID as it offers superior risk-reward considering its market leadership, technological alliances, backward integration, better mix, and strong balance sheet – post the sale of the Insurance business to support the new li-ion cell plant. Further, EXID has shown reasonable progress on new technology with an efficient partner in the form of SVolt. The stock trades at 14.2x/11.7x FY24E/FY25E standalone EPS. Valuing it at ~12x standalone Mar’25E EPS + INR34/sh for a stake in HDFC Life Insurance (@ 40% Holdco discount), **we maintain our BUY rating with a TP of ~INR225.**

Exhibit 6: Our revised estimates

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,65,412	1,65,412	0.0	1,84,456	1,84,456	0.0
EBITDA Margin (%)	11.5	11.3	30bp	12.3	12.0	30bp
PAT	11,273	10,983	2.6	13,694	13,366	2.5
EPS (INR)	13.3	12.9	2.6	16.1	15.7	2.5

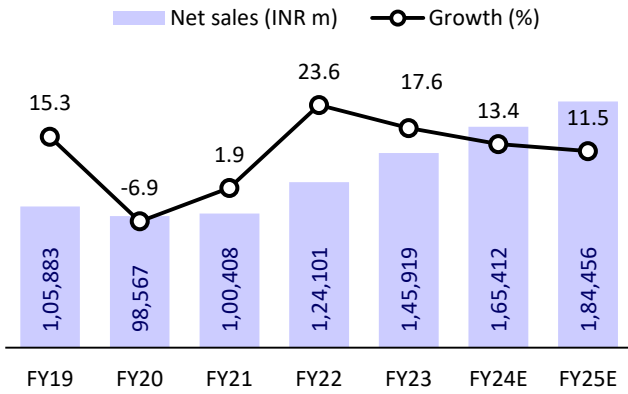
Source: MOFSL

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



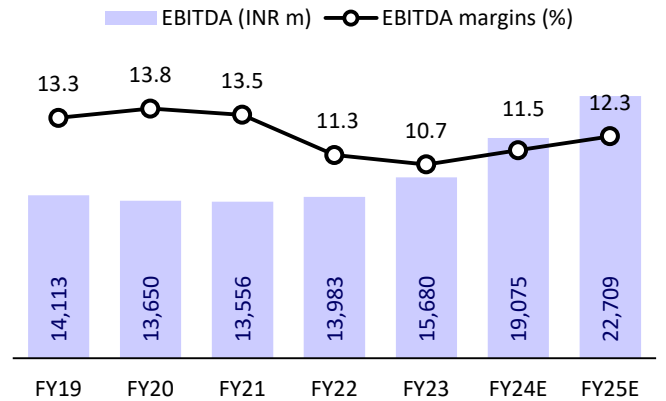
Story in charts

Exhibit 8: Trends in revenue and growth



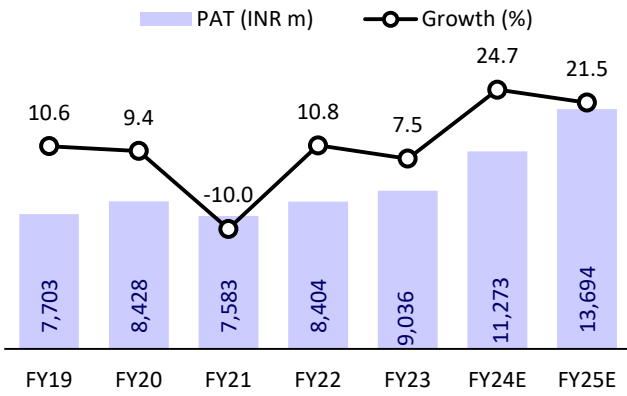
Source: Company, MOFSL

Exhibit 9: Trends in EBITDA and EBITDA margin



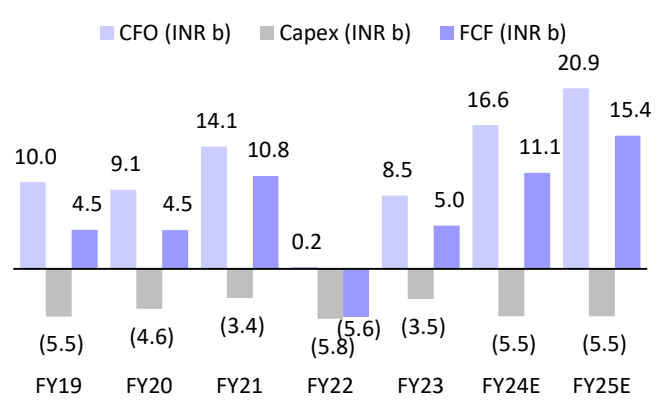
Source: Company, MOFSL

Exhibit 10: PAT and PAT growth trends



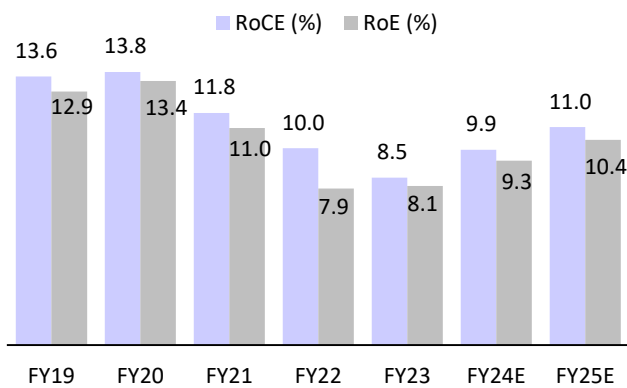
Source: Company, MOFSL

Exhibit 11: Strong FCF driven by healthy CFO



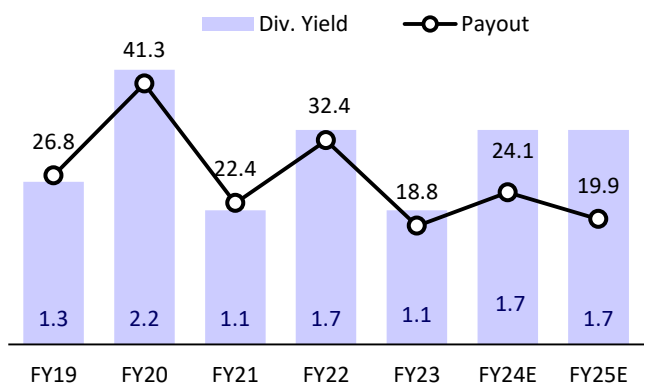
Source: Company, MOFSL

Exhibit 12: Trend in return ratios



Source: Company, MOFSL

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



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Net Sales	1,05,883	98,567	1,00,408	1,24,101	1,45,919	1,65,412	1,84,456	
Change (%)	15.3	-6.9	1.9	23.6	17.6	13.4	11.5	
EBITDA	14,113	13,651	13,557	13,984	15,681	19,076	22,710	
EBITDA Margins (%)	13.3	13.8	13.5	11.3	10.7	11.5	12.3	
Change (%)	13.7	-3.3	-0.7	3.1	12.1	21.6	19.0	
Depreciation	3,135	3,626	3,794	4,131	4,558	4,922	5,323	
EBIT	10,978	10,025	9,763	9,852	11,123	14,154	17,387	
Interest Charges	61	94	238	394	295	325	325	
Other Income	385	639	654	805	1,324	1,304	1,321	
EO Exp/(Inc)	(1,083)	217	-	(46,938)	-	-	-	
PBT	12,386	10,352	10,179	57,199	12,151	15,131	18,381	
Tax	3,945	2,097	2,596	10,356	3,115	3,858	4,687	
Effective Rate (%)	31.9	20.3	25.5	18.1	25.6	25.5	25.5	
Rep. PAT	8,440	8,255	7,583	46,843	9,036	11,273	13,694	
Change (%)	26.3	-2.2	-8.1	517.8	-80.7	24.7	21.5	
Adj. PAT	7,703	8,428	7,583	8,404	9,036	11,273	13,694	
Change (%)	10.6	9.4	-10.0	10.8	7.5	24.7	21.5	

Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Share Capital	850	850	850	850	850	850	850	
Reserves	59,020	62,111	68,085	1,05,131	1,11,248	1,19,800	1,30,774	
Net Worth	59,870	62,961	68,935	1,05,981	1,12,098	1,20,650	1,31,624	
Loans	0	0	0	0	0	0	0	
Deferred Tax Liability	1,751	1,019	771	-654	-1,160	-1,160	-1,160	
Capital Employed	61,621	63,980	69,706	1,05,327	1,10,938	1,19,490	1,30,464	

Application of Funds							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Gross Fixed Assets	32,069	36,039	42,740	48,228	53,553	57,062	62,562	
Less: Depreciation	9,097	12,645	16,361	20,493	25,050	29,973	35,296	
Net Fixed Assets	22,973	23,394	26,379	27,736	28,503	27,089	27,266	
Capital WIP	2,549	2,969	2,008	3,124	1,009	3,000	3,000	
Investments	21,994	21,050	30,924	60,695	63,414	70,695	70,695	
Curr.Assets	34,208	35,008	36,977	41,430	46,425	51,335	65,889	
Inventory	18,040	21,923	23,462	24,647	29,891	31,723	32,848	
Sundry Debtors	10,812	8,154	8,874	11,945	12,745	14,502	15,161	
Cash & Bank Balance	736	1,546	914	1,614	745	1,485	13,837	
Loans & Advances	322	322	383	0	0	0	0	
Other Current Assets	4,299	3,064	3,345	3,223	3,045	3,625	4,043	
Current Liab. & Prov.	20,103	18,441	26,582	27,657	28,413	32,629	36,386	
Sundry Creditors	11,428	10,361	16,483	16,268	15,360	18,127	20,214	
Other Liabilities	5,539	4,478	6,856	8,191	9,670	10,876	12,129	
Provisions	3,136	3,602	3,244	3,198	3,383	3,625	4,043	
Net Current Assets	14,105	16,567	10,395	13,773	18,012	18,706	29,503	
Application of Funds	61,621	63,980	69,705	1,05,327	1,10,938	1,19,490	1,30,464	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	9.1	9.9	8.9	9.9	10.6	13.3	16.1
Cash EPS	12.8	14.2	13.4	14.7	16.0	19.1	22.4
Book Value per Share	70.4	74.1	81.1	124.7	131.9	141.9	154.9
DPS	2.4	4.1	2.0	3.2	2.0	3.2	3.2
Payout (Incl. Div. Tax) %	26.8	41.3	22.4	32.4	18.8	24.1	19.9
Valuation (x)							
P/E	20.8	19.0	21.1	19.0	17.7	14.2	11.7
Cash P/E	14.8	13.3	14.1	12.8	11.8	9.9	8.4
EV/EBITDA	9.7	10.1	9.4	7.0	6.1	4.6	3.3
EV/Sales	1.3	1.4	1.3	0.8	0.7	0.5	0.4
Price to Book Value	2.7	2.5	2.3	1.5	1.4	1.3	1.2
Dividend Yield (%)	1.3	2.2	1.1	1.7	1.1	1.7	1.7
Profitability Ratios (%)							
RoE	12.9	13.4	11.0	7.9	8.1	9.3	10.4
RoCE	13.6	13.8	11.8	10.0	8.5	9.9	11.0
RoIC	21.8	21.4	19.6	21.3	19.3	23.4	29.7
Turnover Ratios							
Debtors (Days)	37	30	32	35	32	32	30
Inventory (Days)	62	81	85	72	75	70	65
Creditors (Days)	39	38	60	48	38	40	40
Working Capital (Days)	60	73	58	60	68	62	55
Gross Fixed Asset Turnover (x)	3.3	2.7	2.3	2.6	2.7	2.9	2.9
Leverage Ratio							
Net Debt/Equity (x)	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
(INR m)							
OP/(Loss) before Tax	12,386	10,352	10,179	57,199	12,151	14,153	17,386
Interest/Dividends Received	-217	-429	-362	-225	-233	1,304	1,321
Depreciation & Amortisation	3,135	3,626	3,794	4,131	4,558	4,922	5,323
Direct Taxes Paid	-3,733	-2,494	-2,721	-10,472	-3,212	-3,858	-4,687
(Inc)/Dec in Working Capital	-468	-2,155	3,044	-3,479	-4,538	110	1,555
Other Items	-1,065	237	200	-46,951	-242	1	0
CF from Oper. Activity	10,038	9,137	14,134	205	8,484	16,631	20,897
(Inc)/Dec in FA+CWIP	-5,510	-4,646	-3,384	-5,783	-3,493	-5,500	-5,500
Free Cash Flow	4,528	4,491	10,750	-5,579	4,991	11,131	15,397
(Pur)/Sale of Invest.	-2,147	1,397	-9,385	8,537	-5,385	-7,282	0
CF from Inv. Activity	-7,656	-3,249	-12,769	2,754	-8,878	-12,782	-5,500
Interest Rec./ (Paid)	-61	-100	-289	-549	-461	-325	-325
Dividends Paid	-2,459	-4,986	-1,700	-1,700	0	-2,720	-2,720
CF from Fin. Activity	-2,520	-5,086	-1,989	-2,249	-461	-3,045	-3,045
Inc/(Dec) in Cash	-138	802	-623	709	-855	804	12,352
Add: Beginning Balance	785	647	1,449	826	1,534	745	1,485
Closing Balance	647	1,449	826	1,534	679	1,549	13,837

E: MOFSL Estimates

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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