

## Estimate changes

TP change

Rating change



Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USDb)	213.5 / 2.6
52-Week Range (INR)	257 / 153
1, 6, 12 Rel. Per (%)	5/26/45
12M Avg Val (INR M)	616

## Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Net Sales	145.9	166.3	185.5
EBITDA	15.7	18.3	21.6
Adj. PAT	9.0	10.7	13.0
Adj. EPS (INR)	10.6	12.6	15.3
EPS Gr. (%)	7.5	18.9	21.0
BV/Sh. (INR)	131.9	141.3	153.4

## Ratio

RoE (%)	8.1	8.9	10.0
RoCE (%)	8.5	9.5	10.6
Payout (%)	18.8	25.3	20.9

## Valuations

P/E (x)	23.6	19.9	16.4
P/BV (x)	1.9	1.8	1.6
Div Yield (%)	0.8	1.3	1.3
FCF Yield (%)	2.3	5.0	6.9

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	46.0	46.0	46.0
DII	19.8	18.9	17.8
FII	12.9	12.3	10.4
Others	21.4	22.8	25.8

FII Includes depository receipts

**CMP: INR251**

**TP: INR290 (+15%)**

**Buy**

## Below est.; weaker mix dents margin

### Return of volume growth, stable lead price to drive earnings

- Exide (EXID)'s 1QFY24 revenue growth was in line with expectations, but margins were below est. as gross margins were affected by a weaker product mix. Going forward, demand is expected to normalize and lead prices are stable, which should drive earnings. EXID's venture into li-ion cell manufacturing is expected to commence in FY26.
- We lower our FY24E/FY25E EPS by 7%/5% due to a weaker product mix and sustained higher lead prices. We **reiterate our BUY rating on the stock with a TP of INR290** (based on 14x Sep'25E S/A EPS + INR54/sh value from HDFC Life stake). We are currently not ascribing any value to its li-ion battery/cell manufacturing foray.

### Revenue growth mainly aided by volumes

- EXID's 1QFY24 revenue remained flat at INR40.7b and EBITDA/PAT declined 6%/11% YoY to INR4.3b/INR2.4b.
- Gross margin expanded just 30bp YoY (down 160bp QoQ) to 28.3% (vs. est. 30.2%) due to unfavorable product mix.
- Further, sequentially lower 'other costs' (down 70bp YoY/down 150bp QoQ as a percentage of sales) helped mitigate the impact of lower gross margin, resulting in an improvement in EBITDA margins by 70bp YoY to 10.6% (vs. est. 11.4%). Lower 'other expenses' were on account of cost optimization efforts and more benefits would accrue with volumes picking up.
- EBITDA grew 12% YoY (up 18% QoQ) to INR4.3b (vs. est. INR4.6b).
- Further lower than est. 'other income' diluted adj. PAT, which grew 7% YoY to INR2.4b (vs. est. INR2.7b)

### Highlights from the management interaction

- Revenue growth was largely led by volumes as no price hikes were taken during the quarter.
- Automotive division growth would mostly be flattish YoY. Replacement demand has remained subdued, although certain markets have seen growth due to market share gains. The absence of vehicle sales in 1QFY21 (total lockdown) has impacted replacement, considering a replacement cycle of three years.
- Despite GCC countries imposing anti-dumping duties on batteries from India around Sep-22, EXID's export prospects are showing signs of recovery. Moreover, the company has entered newer geographical markets as part of its expansion efforts.
- The industrials division has experienced robust growth across all segments. However, the Home UPS segment's growth in 1Q was relatively muted due to a milder summer compared to the previous year, and 4QFY23 had seen a pent-up demand.

**Valuation and view**

- Considering its market leadership, technological alliances, backward integration, favorable product mix, and strong balance sheet following the sale of the Insurance business, we find EXID to be a preferable choice due to its superior risk-reward potential. Further, EXID has embarked on lithium ion cell manufacturing supported by partnership with SVolt and strong balance sheet. However, lithium chemistry poses a risk to the 2W/3W segments (~15% of revenue) and the Industrial segment (~26% of revenue).
- The stock trades at 19.9x/16.4x FY24E/FY25E standalone EPS. Valuing it at ~14x standalone Sep'25E EPS + INR54/sh for a stake in HDFC Life Insurance (@ 40% Holdco discount). **We reiterate our BUY rating with a TP of ~INR290.**

**S/A Quarterly Performance**

Y/E March	FY23				FY24E				FY23			FY24E	FY24E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				1QE	
<b>Net Sales</b>	<b>38,994</b>	<b>37,189</b>	<b>34,121</b>	<b>35,430</b>	<b>40,726</b>	<b>42,395</b>	<b>41,287</b>	<b>41,844</b>	<b>1,45,919</b>	<b>1,66,253</b>	<b>40,164</b>		
Growth YoY (%)	56.8	13.0	6.7	3.7	4.4	14.0	21.0	18.1	17.6	13.9	3.0		
<b>Gross operating income</b>	<b>38,994</b>	<b>37,189</b>	<b>34,121</b>	<b>35,430</b>	<b>40,726</b>	<b>42,395</b>	<b>41,287</b>	<b>41,844</b>	<b>1,45,919</b>	<b>1,66,253</b>	<b>40,176</b>		
Growth YoY (%)	56.8	13.0	6.7	3.7	4.4	14.0	21.0	18.1	17.6	13.9	3		
RM(%)	72.1	69.5	67.7	70.2	71.7	70.5	70.5	70.3	69.9	70.8	69.8		
Employee cost (%)	5.5	5.9	6.3	6.2	5.8	5.8	5.8	5.8	6.0	5.8	5.9		
Other Exp(%)	12.5	13.5	14.3	13.3	11.8	12.8	12.8	12.7	13.4	12.5	12.9		
Total Cost	35,127	33,065	30,111	31,758	36,404	37,732	36,745	37,115	1,30,239	1,47,997	35,585		
<b>EBITDA</b>	<b>3,866</b>	<b>4,124</b>	<b>4,010</b>	<b>3,672</b>	<b>4,322</b>	<b>4,663</b>	<b>4,542</b>	<b>4,729</b>	<b>15,680</b>	<b>18,256</b>	<b>4,579</b>		
EBITDA Margin(%)	9.9	11.1	11.8	10.4	10.6	11.0	11.0	11.3	10.7	11.0	11.4		
Change (%)	48.4	-0.2	7.6	4.9	11.8	13.1	13.3	28.8	12.1	16.4	18		
Non-Operating Income	322	356	234	412	192	350	375	459	1,324	1,376	350		
Interest	64	62	82	83	98	80	80	67	295	325	80		
Depreciation	1,091	1,120	1,153	1,193	1,194	1,250	1,250	1,284	4,558	4,978	1,200		
<b>PBT after EO Exp</b>	<b>3,034</b>	<b>3,298</b>	<b>3,009</b>	<b>2,808</b>	<b>3,222</b>	<b>3,683</b>	<b>3,587</b>	<b>3,837</b>	<b>12,151</b>	<b>14,330</b>	<b>3,649</b>		
Effective Tax Rate (%)	25.4	25.3	25.8	26.0	24.9	25.0	25.0	25.1	25.6	25.0	25.2		
<b>Adj. PAT</b>	<b>2,263</b>	<b>2,462</b>	<b>2,232</b>	<b>2,078</b>	<b>2,419</b>	<b>2,763</b>	<b>2,690</b>	<b>2,875</b>	<b>9,036</b>	<b>10,747</b>	<b>2,729</b>		
Change (%)	80.5	5.1	9.4	-24.7	6.9	12.2	20.5	38.4	7.5	18.9	20.6		

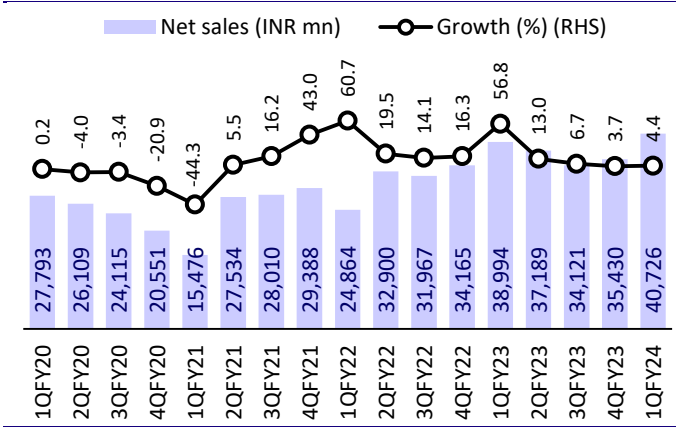
**Key performance indicators**

<b>Cost Break-up</b>												
RM(%)	72.1	69.5	67.7	70.2	71.7	70.5	70.5	70.3	69.9	70.8	69.8	
Employee cost (%)	5.5	5.9	6.3	6.2	5.8	5.8	5.8	5.8	6.0	5.8	5.9	
Other Exp(%)	12.5	13.5	14.3	13.3	11.8	12.8	12.8	12.7	13.4	12.5	12.9	
Gross Margin (%)	27.9	30.5	32.3	29.8	28.3	29.5	29.5	29.7	30.1	29.3	30.2	
EBITDA Margin(%)	9.9	11.1	11.8	10.4	10.6	11.0	11.0	11.3	10.7	11.0	11.4	
EBIT Margin(%)	7.1	8.1	8.4	7.0	7.7	8.1	8.0	8.2	7.6	8.0	8.4	
<b>Lead Price (INR/Kg)</b>	<b>169.2</b>	<b>157.6</b>	<b>173.4</b>	<b>175.6</b>	<b>174.0</b>				<b>169.0</b>			
Change (%)	8.4	-8.8	-0.5	0.4	2.8				-0.4			

E: MOFSL Estimates

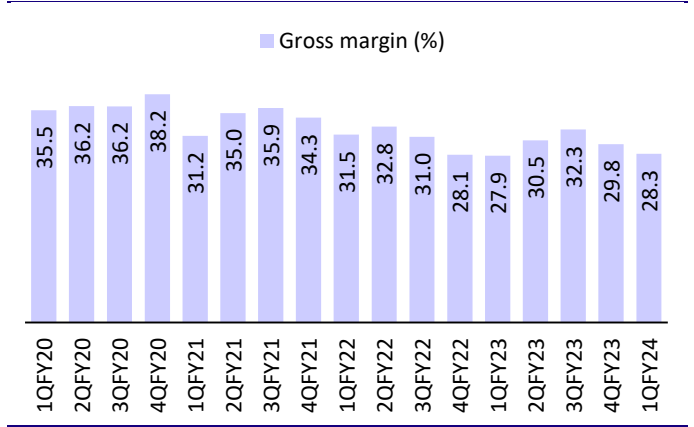
Key exhibits

Exhibit 1: Trends in revenue and growth



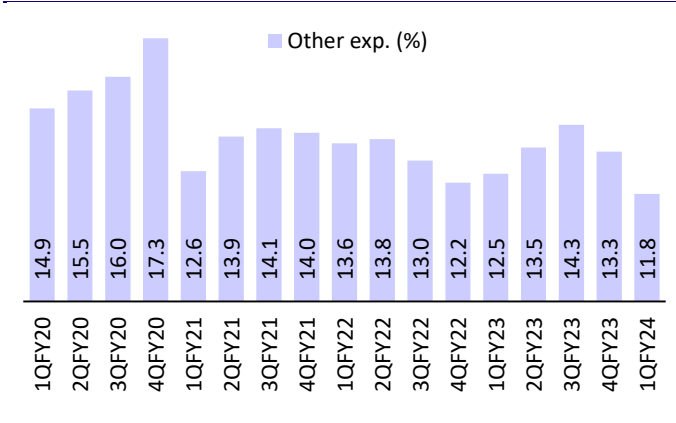
Source: Company, MOFSL

Exhibit 2: Trend in gross margin



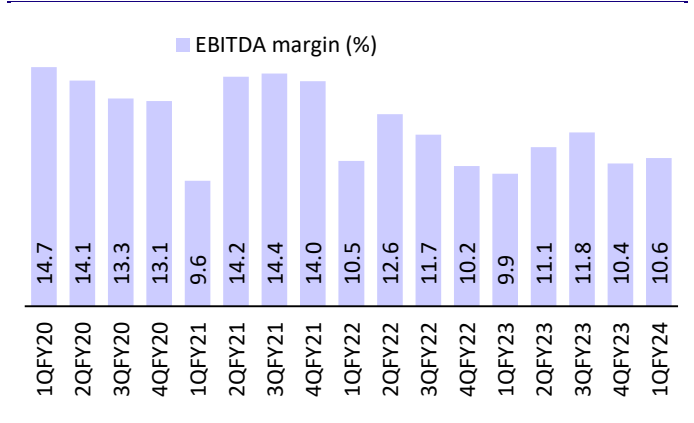
Source: Company, MOFSL

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



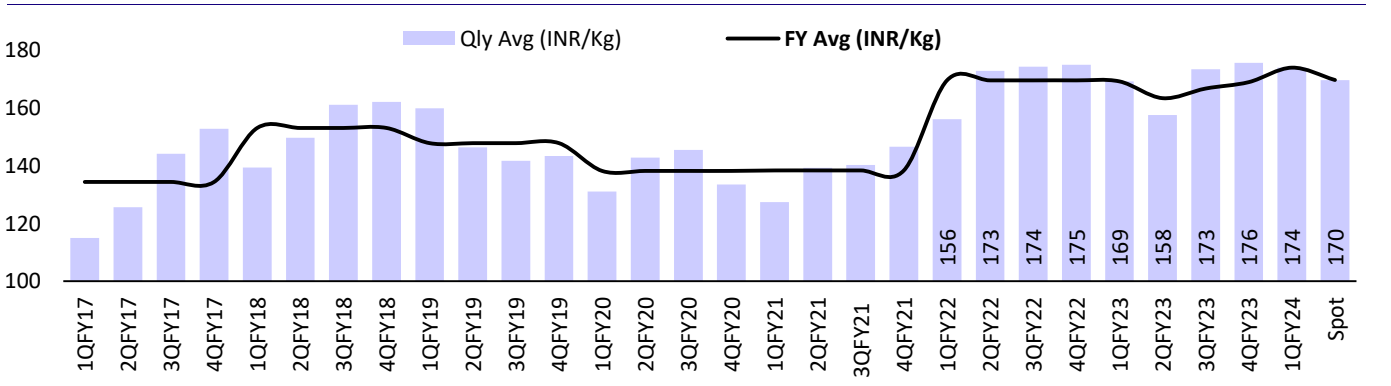
Source: Company, MOFSL

Exhibit 4: Trend in EBITDA margin



Source: Company, MOFSL

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



Source: Company, MOFSL

## Valuation and view

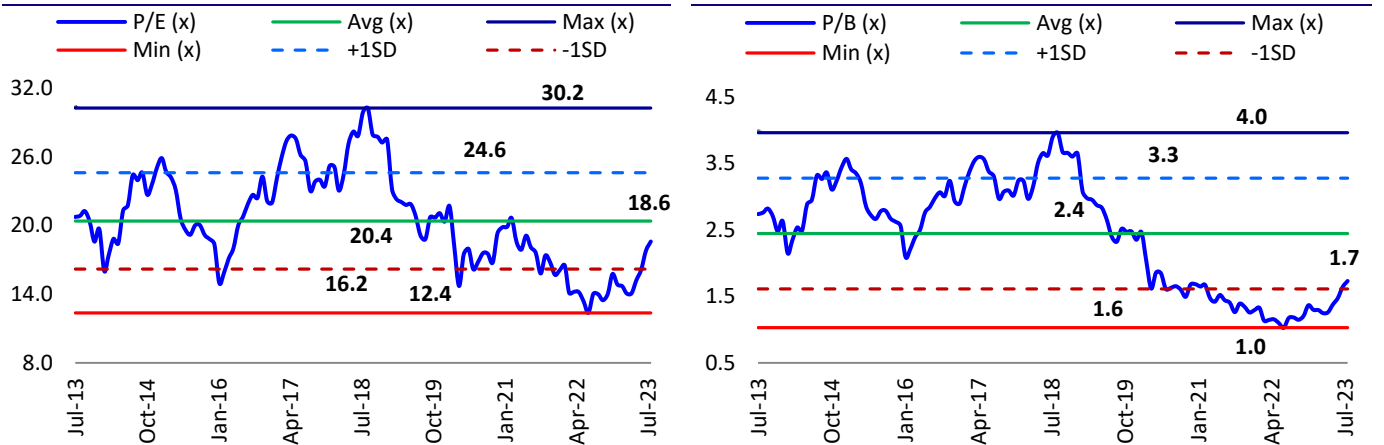
- **Industry structure remains duopoly; EXID leads:** While the industry structure remains largely a duopoly, EXID is the largest lead acid battery manufacturer in India, with leadership among auto OEMs and the Replacement segment. EXID has largely caught up with competitors by investing in technology 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 the new Li-ion battery plant is 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 venture into li-ion technology is progressing well, and the company plans to initiate battery pack assembly revenue starting in FY24. The manufacturing of li-ion cells is also anticipated to commence from 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:** With access to over INR45b worth of stake in HDFC Life, EXID is well-positioned for potential investments in new technologies. This timely monetization of the Insurance business provides a perfect opportunity for the company to pursue its plans for investing in lithium-ion cell manufacturing.
- **Valuation and view:** We reduce our FY24E/FY25E EPS by 7%/5% due to a weaker product mix and sustained higher lead prices. We are currently not ascribing any value to its li-ion battery/cell manufacturing foray. Considering its market leadership, technological alliances, backward integration, favorable product mix, and strong balance sheet following the sale of the Insurance business, we find EXID to be a preferable choice due to its superior risk-reward potential. Further, EXID has embarked on lithium-ion cell manufacturing supported by partnership with SVolt and strong balance sheet. However, lithium chemistry poses a risk to the 2W/3W segments (~15% of revenue) and the Industrial segment (~26% of revenue). The stock trades at 19.9x/16.4x FY24E/FY25E standalone EPS. Valuing it at ~14x standalone Sep'25E EPS + INR54/sh for a stake in HDFC Life Insurance (@ 40% Holdco discount). **We reiterate our BUY rating with a TP of ~INR290.**

**Exhibit 6: Our revised estimates**

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,66,253	1,66,270	0.0	1,85,480	1,85,419	0.0
<b>EBITDA Margin (%)</b>	<b>11.0</b>	<b>11.7</b>	<b>-70bp</b>	<b>11.7</b>	<b>12.1</b>	<b>-50bp</b>
PAT	10,747	11,597	-7.3	13,008	13,644	-4.7
<b>EPS (Rs)</b>	<b>12.6</b>	<b>13.6</b>	<b>-7.3</b>	<b>15.3</b>	<b>16.1</b>	<b>-4.7</b>

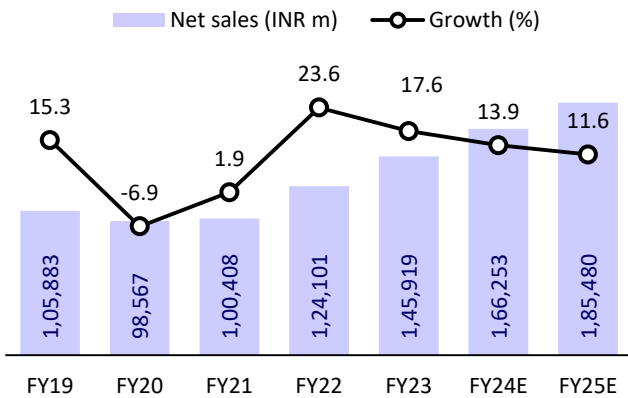
Source: MOFSL

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



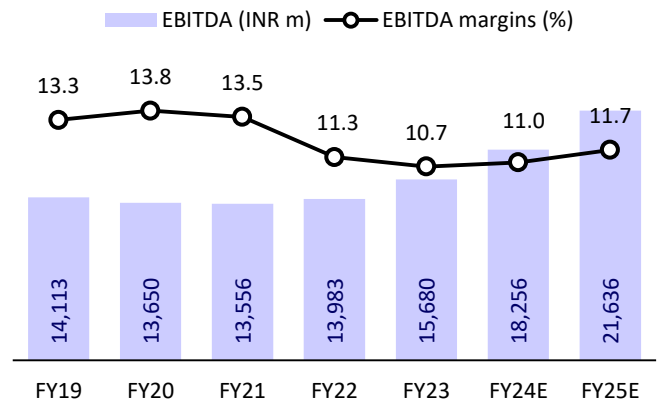
Story in charts

Exhibit 8: Trends in revenue and growth



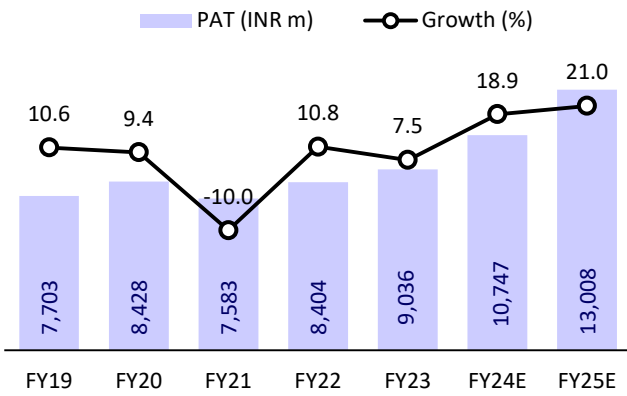
Source: Company, MOFSL

Exhibit 9: Trends in EBITDA and EBITDA margin



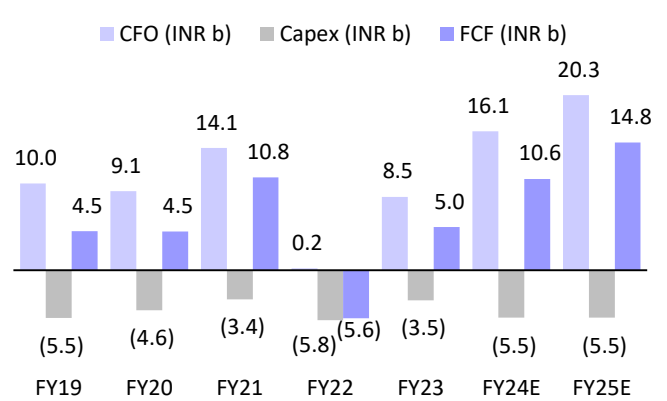
Source: Company, MOFSL

Exhibit 10: PAT and PAT growth trends



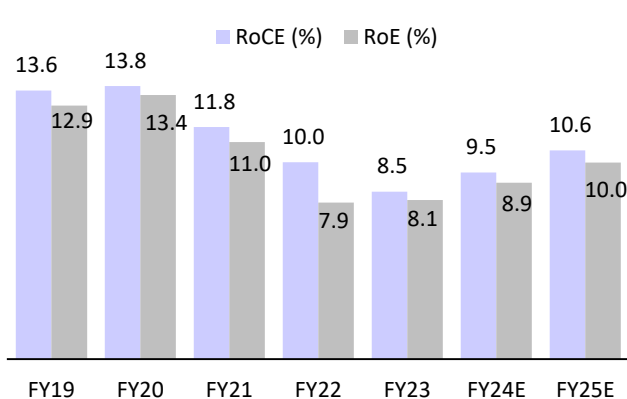
Source: Company, MOFSL

Exhibit 11: Strong FCF driven by healthy CFO



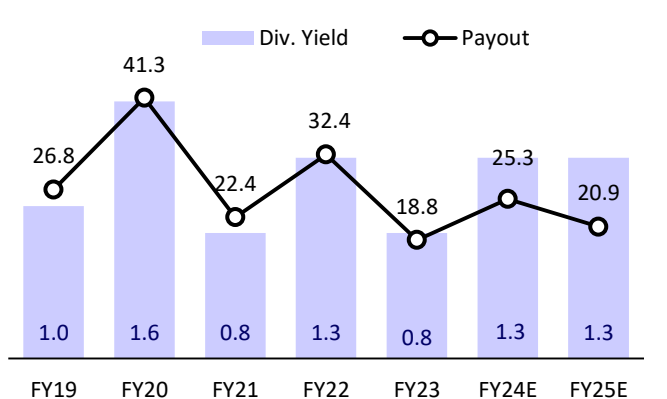
Source: Company, MOFSL

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

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>1,05,883</b>	<b>98,567</b>	<b>1,00,408</b>	<b>1,24,101</b>	<b>1,45,919</b>	<b>1,66,253</b>	<b>1,85,480</b>
Change (%)	15.3	-6.9	1.9	23.6	17.6	13.9	11.6
<b>EBITDA</b>	<b>14,113</b>	<b>13,651</b>	<b>13,557</b>	<b>13,984</b>	<b>15,681</b>	<b>18,257</b>	<b>21,637</b>
EBITDA Margins (%)	13.3	13.8	13.5	11.3	10.7	11.0	11.7
Change (%)	13.7	-3.3	-0.7	3.1	12.1	16.4	18.5
Depreciation	3,135	3,626	3,794	4,131	4,558	4,978	5,383
<b>EBIT</b>	<b>10,978</b>	<b>10,025</b>	<b>9,763</b>	<b>9,852</b>	<b>11,123</b>	<b>13,279</b>	<b>16,254</b>
Interest Charges	61	94	238	394	295	325	325
Other Income	385	639	654	805	1,324	1,376	1,439
EO Exp/(Inc)	(1,083)	217	-	(46,938)	-	-	-
<b>PBT</b>	<b>12,386</b>	<b>10,352</b>	<b>10,179</b>	<b>57,199</b>	<b>12,151</b>	<b>14,330</b>	<b>17,367</b>
Tax	3,945	2,097	2,596	10,356	3,115	3,582	4,359
Effective Rate (%)	31.9	20.3	25.5	18.1	25.6	25.0	25.1
<b>Rep. PAT</b>	<b>8,440</b>	<b>8,255</b>	<b>7,583</b>	<b>46,843</b>	<b>9,036</b>	<b>10,747</b>	<b>13,008</b>
Change (%)	26.3	-2.2	-8.1	517.8	-80.7	18.9	21.0
<b>Adj. PAT</b>	<b>7,703</b>	<b>8,428</b>	<b>7,583</b>	<b>8,404</b>	<b>9,036</b>	<b>10,747</b>	<b>13,008</b>
Change (%)	10.6	9.4	-10.0	10.8	7.5	18.9	21.0

### Balance Sheet

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	1,19,275	1,29,563
<b>Net Worth</b>	<b>59,870</b>	<b>62,961</b>	<b>68,935</b>	<b>1,05,981</b>	<b>1,12,098</b>	<b>1,20,125</b>	<b>1,30,413</b>
Loans	0	0	0	0	0	0	0
Deferred Tax Liability	1,751	1,019	771	-654	-1,160	-1,160	-1,160
<b>Capital Employed</b>	<b>61,621</b>	<b>63,980</b>	<b>69,706</b>	<b>1,05,327</b>	<b>1,10,938</b>	<b>1,18,965</b>	<b>1,29,253</b>

(INR m)

### Application of Funds

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	30,028	35,411
<b>Net Fixed Assets</b>	<b>22,973</b>	<b>23,394</b>	<b>26,379</b>	<b>27,736</b>	<b>28,503</b>	<b>27,034</b>	<b>27,151</b>
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
<b>Curr.Assets</b>	<b>34,208</b>	<b>35,008</b>	<b>36,977</b>	<b>41,430</b>	<b>46,425</b>	<b>51,031</b>	<b>64,995</b>
Inventory	18,040	21,923	23,462	24,647	29,891	31,884	33,031
Sundry Debtors	10,812	8,154	8,874	11,945	12,745	14,576	15,245
Cash & Bank Balance	736	1,546	914	1,614	745	927	12,654
Loans & Advances	322	322	383	0	0	0	0
Other Current Assets	4,299	3,064	3,345	3,223	3,045	3,644	4,065
<b>Current Liab. &amp; Prov.</b>	<b>20,103</b>	<b>18,441</b>	<b>26,582</b>	<b>27,657</b>	<b>28,413</b>	<b>32,795</b>	<b>36,588</b>
Sundry Creditors	11,428	10,361	16,483	16,268	15,360	18,219	20,327
Other Liabilities	5,539	4,478	6,856	8,191	9,670	10,932	12,196
Provisions	3,136	3,602	3,244	3,198	3,383	3,644	4,065
<b>Net Current Assets</b>	<b>14,105</b>	<b>16,567</b>	<b>10,395</b>	<b>13,773</b>	<b>18,012</b>	<b>18,236</b>	<b>28,407</b>
<b>Application of Funds</b>	<b>61,621</b>	<b>63,980</b>	<b>69,705</b>	<b>1,05,327</b>	<b>1,10,938</b>	<b>1,18,965</b>	<b>1,29,253</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>9.1</b>	<b>9.9</b>	<b>8.9</b>	<b>9.9</b>	<b>10.6</b>	<b>12.6</b>	<b>15.3</b>
Cash EPS	12.8	14.2	13.4	14.7	16.0	18.5	21.6
Book Value per Share	70.4	74.1	81.1	124.7	131.9	141.3	153.4
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	25.3	20.9
<b>Valuation (x)</b>							
P/E	27.7	25.3	28.2	25.4	23.6	19.9	16.4
Cash P/E	19.7	17.7	18.8	17.0	15.7	13.6	11.6
EV/EBITDA	13.5	14.0	13.4	10.8	9.5	7.8	6.0
EV/Sales	1.8	1.9	1.8	1.2	1.0	0.9	0.7
Price to Book Value	3.6	3.4	3.1	2.0	1.9	1.8	1.6
Dividend Yield (%)	1.0	1.6	0.8	1.3	0.8	1.3	1.3
<b>Profitability Ratios (%)</b>							
RoE	12.9	13.4	11.0	7.9	8.1	8.9	10.0
RoCE	13.6	13.8	11.8	10.0	8.5	9.5	10.6
RoIC	21.8	21.4	19.6	21.3	19.3	22.1	27.9
<b>Turnover Ratios</b>							
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	3.0
<b>Leverage Ratio</b>							
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
<b>(INR m)</b>							
<b>OP/(Loss) before Tax</b>	<b>12,386</b>	<b>10,352</b>	<b>10,179</b>	<b>57,199</b>	<b>12,151</b>	<b>13,278</b>	<b>16,253</b>
Interest/Dividends Received	-217	-429	-362	-225	-233	1,376	1,439
Depreciation & Amortisation	3,135	3,626	3,794	4,131	4,558	4,978	5,383
Direct Taxes Paid	-3,733	-2,494	-2,721	-10,472	-3,212	-3,582	-4,359
(Inc)/Dec in Working Capital	-468	-2,155	3,044	-3,479	-4,538	23	1,555
Other Items	-1,065	237	200	-46,951	-242	1	0
<b>CF from Oper. Activity</b>	<b>10,038</b>	<b>9,137</b>	<b>14,134</b>	<b>205</b>	<b>8,484</b>	<b>16,073</b>	<b>20,271</b>
(Inc)/Dec in FA+CWIP	-5,510	-4,646	-3,384	-5,783	-3,493	-5,500	-5,500
<b>Free Cash Flow</b>	<b>4,528</b>	<b>4,491</b>	<b>10,750</b>	<b>-5,579</b>	<b>4,991</b>	<b>10,573</b>	<b>14,771</b>
(Pur)/Sale of Invest.	-2,147	1,397	-9,385	8,537	-5,385	-7,282	0
<b>CF from Inv. Activity</b>	<b>-7,656</b>	<b>-3,249</b>	<b>-12,769</b>	<b>2,754</b>	<b>-8,878</b>	<b>-12,782</b>	<b>-5,500</b>
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
<b>CF from Fin. Activity</b>	<b>-2,520</b>	<b>-5,086</b>	<b>-1,989</b>	<b>-2,249</b>	<b>-461</b>	<b>-3,045</b>	<b>-3,045</b>
<b>Inc/(Dec) in Cash</b>	<b>-138</b>	<b>802</b>	<b>-623</b>	<b>709</b>	<b>-855</b>	<b>247</b>	<b>11,726</b>
Add: Beginning Balance	785	647	1,449	826	1,534	745	927
<b>Closing Balance</b>	<b>647</b>	<b>1,449</b>	<b>826</b>	<b>1,534</b>	<b>679</b>	<b>991</b>	<b>12,654</b>

E: MOFSL Estimates

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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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